ANNUAL REPORT

beginning of financial year:	01.01.2017
end of the financial year:	31.12.2017
business name:	GFC Good Finance Company AS
register code:	12423254
street, building, apartment, farm:	Rotermanni tn 5
city:	Tallinn
county:	Harju maakond
postal code:	10111
telephone:	+3726290050
e-mail address:	info@gfc.ee

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Management report

GFC Good Finance Company AS (hereafter referred as GFC) is a payment institution, which main activity is providing payment services while opening payment accounts for private and corporate customers, executing payments and issuing means of payment for customers, guided by all the laws and legislative acts applied to payment institutions. Necessary authorization for providing payment services has been issued to GFC by the Estonian Financial Supervision Authority decision No. 4.1-1/22 on June 5th 2013.

We consider effective handling of private and corporate customers payments as our strategy and we have positioned ourselves as an alternative to banks payment provider. Our goal is to provide our customers with a quick and convenient means of payment through a payment service and modern IT solutions.

GFC is a member of SWIFT payment orders mediation environment (code GFCBEE22), through which payment institution carried out customer's transactions and communication with correspondent banks.

GFC is also able to issue different debit and credit payment cards with MasterCard Europe.

In 2016 and 2017 we focused on getting permission to provide cross-border payment services from the Estonian Financial Supervision Authority. Continuisly development of our products, services and infrastucture was carried through the year. There was a significant increase in business volumes provided to corporate clients in second part of 2017.

Main financial ratios:

- GFC's share capital amount is 446,040 euros.
- Quick ratio 1.04 5.1 (in 2016)
- Debt ratio 96.4% 17.0% (in 2016)

The formulas used for the calculation of ratios:

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

The annual accounts

Statement of financial position

(In Euros)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	9 232 075	44 024	2
Receivables and prepayments	276 204	209 815	3
Inventories	36 945	18 069	
Total current assets	**9 545 224**	**271 908**	
Non-current assets			
Receivables and prepayments	23 347	26 563	3
Property, plant and equipment	5 180	12 950	4
Total non-current assets	**28 527**	**39 513**	
Total assets	**9 573 751**	**311 421**	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	9 232 134	45 009	5
Provisions	0	8 003	
Total current liabilities	**9 232 134**	**53 012**	
Total liabilities	**9 232 134**	**53 012**	
Equity			
Issued capital	446 040	446 040	7
Share premium	149 250	149 250	
Retained earnings (loss)	-336 881	-361 355	
Annual period profit (loss)	83 208	24 474	
Total equity	**341 617**	**258 409**	
Total liabilities and equity	**9 573 751**	**311 421**	

Income statement

(In Euros)

	2017	2016	Note
Revenue	130 303	2 774	8
Other income	393 435	382 094	9
Raw materials and consumables used	-177 567	-145 812	10
Other operating expense	-62 594	-63 231	11
Employee expense	-213 694	-153 528	12
Depreciation and impairment loss (reversal)	-1 295	0	4
Operating profit (loss)	**68 588**	**22 297**	
Interest income	0	3	
Other financial income and expense	14 620	2 174	13
Profit (loss) before tax	**83 208**	**24 474**	
Annual period profit (loss)	**83 208**	**24 474**	

Statement of cash flows

(In Euros)

	2017	2016
Cash flows from operating activities		
Operating profit (loss)	68 588	22 297
Adjustments		
Depreciation and impairment loss (reversal)	1 295	0
Total adjustments	**1 295**	**0**
Changes in receivables and prepayments related to operating activities	-63 173	-18 855
Changes in inventories	-18 876	-18 069
Changes in payables and prepayments related to operating activities	9 185 597	20 534
Interest received	0	3
Total cash flows from operating activities	**9 173 431**	**5 910**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	0	-12 950
Total cash flows from investing activities	**0**	**-12 950**
Total cash flows	**9 173 431**	**-7 040**
Cash and cash equivalents at beginning of period	44 024	48 890
Change in cash and cash equivalents	**9 173 431**	**-7 040**
Effect on exchange rate changes on cash and cash equivalents	14 620	2 174
Cash and cash equivalents at end of period	9 232 075	44 024

Statement of changes in equity

(In Euros)

	Issued capital	Share premium	Retained earnings (loss)	Total
31.12.2015	446 040	149 250	-361 355	233 935
Annual period profit (loss)	0	0	24 474	24 474
31.12.2016	446 040	149 250	-336 881	258 409
Annual period profit (loss)	0	0	83 208	83 208
31.12.2017	446 040	149 250	-253 673	341 617

Notes

Note 1 Accounting policies

General information

The annual accounting report of GFC Good Finance Company AS (hereinafter GFC) for 2017 was compiled in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The following are the most significant accounting principles used in the financial statements. These principles have been consistently applied to all the years presented, unless otherwise indicated. In compiling this financial report, the principle of acquisition cost was based on the exception of the cases described in the accounting principles below.

The business year began on January 1, 2017 and ended on December 31, 2017. The company's currency is the euro. The figures for the annual accounting report are presented in euros and in whole units, unless otherwise indicated.

Assets and liabilities were measured weightily and on a conservative basis. The preparation of the annual accounting report requires the giving of estimates.

These estimates are based on current information on the position of the partnership, its intentions and risks as of the date of the annual accounting report. The final results of economic transactions reflected in the financial year may differ from the estimates given in this period.

This annual report is adopted by the Management Board. The annual report is approved by the Council and shareholders. The shareholder has the right to approve or reject the annual accounting report and require the management to draw up a new report. The Council has no such a right.

The company is 90.4% owned by Estonian citizen Tiiu Jarviste through the holding company GFC Holding OÜ.

Financial assets

Financial assets are initially recorded at their acquisition cost, which is the fair value paid or received for the financial asset. The initial acquisition cost includes all expenses for transactions directly related to the financial asset, excluding financial assets that are recorded at fair value, changes in which are recorded in the income statement.

A financial asset is removed from the statement of financial position when an entity loses the right to cash flow for a financial asset or transfers cash flows to the asset and most of the risks and benefits associated with the financial asset to a third party.

GFC has the following financial assets: cash and cash equivalents and other requirements. Cash and cash equivalents and other claims (deferred income, loans issued and other short-term and long-term claims), excluding claims acquired for the purpose of resale, are recorded at adjusted acquisition cost. The adjusted cost of acquiring short-term claims is usually equal to their nominal value (minus chargebacks and possible markdowns), with the result that short-term claims are reflected in the balance in the amount, the receipt of which is likely.

Cash and cash equivalents

As cash and cash equivalents in the statement of cash flows, cash on cash desk, balances on current accounts (excluding overdraft), time deposits up to 3 months and contributions to money market funds and other highly liquid funds investing in instruments that refer to as of cash and cash equivalents.

Foreign currency transactions, financial assets and liabilities fixed in foreign currency

Foreign currencies are all currencies other than the calculated currency; The currency of the companies located in Estonia is the euro.

When carrying out transactions in foreign currency, the official exchange rates of the European Central Bank, effective on the day of the transaction, were taken as the basis. Monetary financial assets and liabilities recorded in foreign currency (cash and assets and liabilities) recorded in a foreign currency are revalued to the calculated currency based on the official foreign exchange rates of the European Central Bank, valid on the balance sheet day. Gains and losses from changes in exchange rate resulting from the revaluation are recorded in the statement of profit and loss for the reporting period.

Purveyance

Stocks of the company consist of bank card blanks. Inventories are valued either at their acquisition cost or at net realizable value, whichever is less.

Inventory devaluation in 2017 was not made.

Tangible and intangible fixed assets

Tangible fixed assets are recorded in the statement of financial position at the cost of their acquisition less accumulated depreciation and deductions arising from the decrease in the value of the asset. To account for depreciation of tangible fixed assets, an entity uses the linear method.

Tangible fixed assets of the company consist of computer equipment.

Intangible fixed assets are accounted for and reflected in the statement of financial position on the basis of the same principles that apply to tangible fixed assets.

The lower limit of the cost of taking on the accounting of fixed assets 1000

Useful life of fixed assets by group (in years):

Name of a group of fixed assets	Useful life
Computer equipment	5

The depreciation methods of fixed assets, useful life and residual value are revised at least at the end of each financial year, and if the estimates differ from the previous ones, then the changes are reflected as changes in accounting estimates, that is, starting from the given moment.

Financial liabilities

All financial liabilities are initially recorded at their acquisition cost, which also includes all expenses directly related to the acquisition. Subsequent reflections are made using the adjusted acquisition cost method.

The adjusted cost of acquiring short-term financial liabilities is usually equal to their nominal value, therefore short-term financial liabilities are recorded in the balance sheet in the amount payable. To calculate the adjusted acquisition cost of long-term financial liabilities, they are initially recorded at the fair value of the payment received (net of transaction costs), taking into account interest expenses on liabilities of subsequent periods using the internal interest rate method.

A financial liability is classified as current if its maturity date is within twelve months from the balance sheet date; or the company has no unconditional right to postpone payment of the obligation for more than 12 months after the date of the balance sheet. Loan obligations with a maturity of 12 months from the balance sheet date, which are refinanced long-term after the balance sheet date, but before the approval of the annual report, are recorded as short-term. The liabilities on loans that the lender had the right to revoke on the balance sheet day due to a violation of the conditions set out in the loan agreement are also reflected as short-term.

Obligations to contractors

Obligations to contractors include accrued but unpaid wages and vacation obligations as of the balance sheet date.

The obligation calculated for the payment of vacation pay is reflected in the statement of financial position together with social tax and unemployment insurance payments in the composition of arrears and prepayments, and in the statement of profit in labor costs.

Provisions and contingent liabilities

The company creates reserves in terms of those obligations, the implementation date or the amount of which is uncertain. The size and timing of the provision is determined on the basis of estimates by management or experts in the relevant field.

A provision is recognized when an enterprise has a legal or factual obligation that arose prior to the balance sheet date, the likelihood of a deduction in the form of resource costs is probable (over 50%), and the amount of deduction can be reliably determined.

Expenses related to the implementation of the reserve are estimated at the balance sheet date, and the reserve is revalued at each balance sheet date. If the reserve is likely to be realized in more than one year, it is reflected in the present value. Discounting is based on market interest rate for similar liabilities.

Reserves include potential legal fees, fines and other obligations, the implementation of which is possible and known to the board.

Contingent liabilities are those liabilities whose probability of realization is less than 50% or the amount of which cannot be reliably estimated. Accounting for contingent liabilities is conducted out of balance.

Income

Revenues are recorded after the service is provided, when payment for the service provided is probable and the income from the sale and expenses associated with the provision of the service can be measured reliably.

The income from sales reflects the income received from the main activity of the company - the provision of payment services.

Other income is recorded as other income (for example, income from development activities).

Interest income is recorded if income is probable and the amount of income can be measured reliably. Interest income is recorded using the asset's internal interest rate.

Taxation

According to the Income Tax Act in Estonia, the company's profit for the reporting year is not taxable. Income tax is paid on dividends, special benefits, gifts, donations, entertainment expenses, non-business payments and adjustments to transfer prices. The tax rate for profits distributed in the form of dividends is 20/80 of the paid net amount. The accompanying dividend income tax is recorded as a liability, and in the income statement as an income tax expense in the same period that dividends are announced, regardless of what period they are announced for or when they are actually paid. The income tax liability arises on the 10th day of the month following the payment of dividends.

From 2019, the tax rate 14/86 can be applied to dividend payments. This more favorable tax rate can be applied to dividend payments, reaching the average dividend payment for up to three previous business years, which was taxed at a rate of 20/80. The first year in calculating the average dividend for the three preceding financial years is considered the 2018th.

Based on the specifics of the tax system, for campaigns registered in Estonia there is no difference between the tax and book value of assets and, as a result, deferred tax claims or liabilities. The contingent liability on income tax arising from the payment of dividends from retained earnings is not reflected in the balance sheet.

Related parties

Related parties are shareholders and members of the management of the company and the parent company, as well as related companies.

Events after the balance sheet date

The annual accounting report reflects significant circumstances affecting the valuation of assets or liabilities, which appeared during the period between the balance sheet date of December 31, 2017 and the date of the annual report but related to transactions completed in the reporting period or earlier. Further details are provided in Appendix 15.

Fair value

Fair value is the price received from the sale of an asset or paid when transferring a liability on the measurement date in the course of a normal transaction between market participants.

To measure the fair value of an enterprise's assets and liabilities, an entity uses input data from a level 3 valuation method (IFRS 13), including the discounted cash flow method and market interest rates. According to the company's estimates, the fair value of financial assets and financial liabilities recorded in the statement of financial position does not significantly differ from the values recorded in the statement of financial position as of December 31, 2017 and December 31, 2016.

The introduction and interpretation of new modified standards, and new accounting principles

By the time this report was compiled, new international financial reporting standards were issued, as well as changes and interpretations of existing standards that are mandatory for the reporting years of the company, starting from January 1, 2017 or after this date, but which do not have a significant impact on the company's financial statements.

New or modified standards, or interpretations that will take effect on or after January 1, 2018, are not expected to have a significant impact on the company.

a) New standards, interpretations and amendments to them.

New or revised standards and interpretations were issued that become mandatory for the company from January 1, 2018 or later and which the company did not prematurely apply.

IFRS 9 "Financial Instruments: Classification and Measurement" (effective for holiday periods beginning on or after 1 January 2018).

The basic rules of the new standard are as follows:

- Financial assets are classified in different measurement categories: assets recorded at the adjusted acquisition cost (AS), assets recorded at fair value with changes through another consolidated statement of profit (FVOCI), and assets recorded at fair value with changes through the report on profits (FVTPL);

- The classification of a debt instrument depends on the company's business model for managing financial assets and on whether the contractual cash flows of the asset include only principal and interest payments ("AP1M"). If the debt instrument is held for claim purposes and the APIM requirement is satisfied, then the instrument can be reflected at the adjusted acquisition cost. Debt instruments that meet APIM requirements and are stored in a portfolio in which a company stores assets for both collection and sale purposes can be recorded at fair value through a different consolidated statement of profit. Financial assets that do not include APIM cash flows should be changed at fair value through a statement of profit (for example, derivatives). Embedded derivatives are no longer separated from financial assets, but include APIM terms in the assessment;

- Equity instruments should always be recorded at fair value. At the same time, management may make an irrevocable choice to reflect changes in fair value through a different consolidated statement of profit, provided that the instrument is not held for trading purposes. If an equity instrument is held for trading, then changes in its fair value should be reflected in the income statement;

- Most of the requirements of IAS 39 for the classification and measurement of financial liabilities were transferred to IFRS 9 without change. The main change is that for financial liabilities that are determined to reflect at fair value through a statement of profit, changes in fair value resulting from changes in the company's own credit risk should be reflected in another consolidated statement of profit.

IFRS 9 introduces a new model to reflect loss of value - the model of expected credit loss. This is a “three-tier” approach based on changes in the credit quality of financial assets after their initial acceptance for accounting. In practice, the new rules mean that when accepting financial assets for accounting, in part of which there is no impairment, companies need to immediately reflect a loss equal to a 12-month credit loss (in the case of claims to buyers, the credit loss expected during the entire period their lives). If the credit risk has increased significantly, then the decrease in value should be measured using the credit loss expected during the entire lifetime, and not the credit loss expected within 12 months. The model includes simplifications in terms of rental requirements and customer requirements.

Hedge accounting requirements have been changed to better link accounting with risk management. The standard offers companies a choice of accounting principles: whether to apply hedge accounting requirements to IFRS 9, or to continue to apply to all hedging tools IAS 39, since the standard currently does not consider macro hedging accounting.

According to IAS 39 categories of measurement of financial assets (cash and claims) were loans and claims (L & R), and according to categories of IFRS 9, starting from January 1, 2018, they are recorded at acquisition cost (AS). When applying IFRS 9, the carrying amount of an enterprise’s financial assets will not change.

IFRS 15 “Revenue from contracts with customers”, a change in the part of the entry into force of IFRS 15 (effective for reporting periods beginning on or after 1 January 2018).

In accordance with the basic principle of the new standard, income from sales is reflected when goods or services are transferred to the customer, and income from sales is reflected at the transaction price. Goods and services sold jointly that can be distinguished should be reflected separately, and discounts given from the contractual price should, as a rule, be distributed among individual elements. If the received payment can be changed for certain reasons, then the minimum amount is reflected in the quality of sales income, if this does not entail a significant risk of cancellation / redemption. Costs incurred to secure contracts with customers should be capitalized and amortized during the period when the contract generates revenues. It is expected that a change in the part of the entry into force of the standard will not have a significant impact on company reporting.

Changes in IFRS 15 “Revenue from contracts with customers” (effective for annual periods beginning on or after 1 January 2018). The changes do not change the basic principles of the standard but clarify how these principles should be applied. The changes explain how to define the fulfillment obligations in the contract (promise to transfer goods to the client or provide a service); how to determine whether the company is the principal (principal) executor of the sale transaction (supplier of goods or services) or agent (responsible for organizing the supply of goods or services); and how to determine whether to reflect the revenue from the license at a particular point in time or during the period. In addition to these explanations, the changes include two additional simplifications in order to reduce the costs of the enterprise and the complexity of the first implementation of the standard. Changes in the standard are not expected to have a significant impact on company reporting.

"Early repayment with negative compensation" Amendments to IFRS 9 (effective for periods beginning on or after 1 January 2019, not yet adopted by the European Union).

The amendment makes it possible to reflect certain loans and debt securities using the adjusted acquisition cost method, if they can be repaid ahead of time in an amount less than the adjusted acquisition cost, for example, if the repayment is made at fair value or if the repayment includes Reasonable compensation to the lender, measured in the current the cost of the impact of rising market interest rates over the remaining life of the instrument. In addition, part of the basis for making decisions (the basis of the conclusion) of the standard includes information that confirms the current IFRS 9 instructions, according to which, if financial liabilities recorded at the adjusted acquisition cost, are changed or exchanged in such a way that they are not remove from the balance sheet, the resulting profit or loss should be reflected in the statement of profit. Therefore, in most cases, enterprises cannot change the internal interest rate on a loan for the remaining life of the loan in order to avoid affecting the income statement at the time the loan conditions change. Changes in the standard are not expected to have a significant impact on company reporting.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for taking into account, measuring, representing and disclosing lease agreements.

As a result of all lease agreements, the tenant acquires the right to use the property from the beginning of the lease and, if rental payments are made for the period, also from the beginning of financing. Based on this, IAS 16 excludes the classification of leases for rental and capital leases, as was the case in IAS 17, and instead introduces a single accounting model for tenants. Tenants must (a) register assets and liabilities under all lease agreements for more than 12 months, if the leased asset does not have a low value; and (b) to report amortization of leased assets and interest expense on rental obligations in the income statement. The principles of IFRS 16 for lessors remain essentially the same as in IAS 17, i.e. the landlord continues to separate its lease agreements for rental use and capital lease and reflects these types of leases in different ways. Changes in the standard are not expected to have a significant impact on company reporting, as the company does not have large-scale long-term lease agreements.

Accounting estimates and applicable assumptions

The preparation of annual financial statements in accordance with International Financial Reporting Standards requires the board to make assumptions, make estimates and decisions that affect the accounting principles used, the recorded assets and liabilities, and income and expenses. Estimates and related assumptions are based on historical experience and a number of other facts that are expected to be relevant and based on circumstances that define the principles for valuing assets and liabilities and that are not directly derived from other sources. Areas that require management decisions and assessments in a company that affect financial statements are:

- valuation of the company's reserves;
- assessment of the value of the company's main assets.

The company's board assesses at each reporting date whether there are indications of a possible reduction in value. If such signs occur, cost testing is performed. At each reporting date, value testing is carried out for previously depreciated assets. In assessing the value of the use value of the object. Consumer value is calculated using the discounted cash flow method using external and internal appraisers. In the reporting year, there was no decrease in the value of inventories and fixed assets.

Risk management and description of the main risks

The principles for identifying, managing and controlling risks arising in the course of GFC activities are established by the board’s risk management policy, which is drafted in accordance with the «Payment Institutions and E-money Institutions Act» (PIEMIA), and include, among other things, the identification and elimination of operational risks, credit risk, liquidity risk and significant market risk. A risk management strategy is based on optimizing the relationship between company profitability and accepted levels of risk.

The development of risk assessment methodologies and the establishment of numerical parameters of the criteria are fully within the competence of the company's board. The principles and methods of risk management are regularly reviewed and updated as necessary.

A. Operational risk

Operational risk is the risk that internal processes and / or systems will not operate or will act inadequately due to a technical error or damage, activity or inaction of the personnel of the payment institution or due to external events.

The company has separately developed and implemented an operational risk management policy. In assessing operational risk, compliance and an internal auditor play a significant role.

B. Market risk (interest rate risk, currency risk and other price risk)

Market risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in market prices. Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

Interest rate risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in market interest rates. The company has no significant interest risk as the company has no interest assets and liabilities or financial instruments that depend on changes in interest rates.

Foreign currency risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate due to changes in exchange rates.

The company has no significant currency risk, as the company does not take on its own significant foreign exchange positions. The various foreign currency assets held by the company largely correspond to the requirements of the clients (the requirements and liabilities for different currencies are similar). As of the balance sheet date, the company has a short-term foreign exchange position (the difference between assets and liabilities in different currencies) of about 100,000 euros, which is about 1% of assets - openness to foreign exchange risk is minimal.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate (other than fluctuations arising from interest risk and currency risk) due to changes in market prices. regardless of whether the factor causing the change or factors affecting all similar financial instruments circulating in the market, a separate financial instrument or its issuer. According to its own assessment, the company has no significant other price risks.

C. Liquidity risk

Liquidity risk is the risk that the (economic) unit will face difficulties in meeting its financial obligations settlements, which are carried out by transferring cash or another financial asset.

Liquidity risk is managed in the course of current business activities by monitoring revenues and expenses, as well as available funds. The company has separately developed a liquidity risk management policy.

Liquid (short-term with a maturity of less than one year) assets of the company exceed the company's short-term liabilities.

As of December 31, 2017, 96.4% of the company's balance sheet accounts for bank accounts. The high proportion of cash in the balance sheet is explained by the company's main activity - the provision of payment services, which means that customers should be able to use their cash at any time to make payments (the company's “fast” liabilities are similar to the share of cash in the balance - 95.8 %). The company does not place short-term funds in other financial instruments. According to the board, at the balance sheet date, the company has no liquidity risk.

As a result of the post-balance event, a partial liquidity risk arose as part of the company's assets were frozen in the accounts of the bank being liquidated (Versopank AS, Estonia). The liquidated bank is solvent, but the assets will be released in accordance with the action plan of the Financial Supervision Authority. At the date of revocation of the license of Versopank AS as of 26.03.2018, the liquidity risk was 3.1 million euros, which at that time amounted to almost 49% of the company's cash. At the time of approval of the report, about 1 million euros had been released from the liquidated bank, and only about 15% of the company's cash is still frozen. The company expects that all frozen cash will be released during July-August.

The company's board is actively involved in potential liquidity risk, and a number of measures have been taken to ensure liquidity: monitoring the bank liquidation process, maintaining contact with supervisory authorities, tracking customers' payment behavior, separate support for communication with large customers. If there is a risk of liquidity, there is a willingness to raise additional funds.

D. Credit risk

Credit risk is the risk that one of the parties to a financial instrument causes financial loss to the other party because it cannot fulfill the obligation. The most important assets with credit risk in a company are cash in banks and customer requirements.

According to the company's board, the company's credit risk at the balance sheet date is relatively small:

1) the company's funds are in the banks of the European Union member states under the supervision of the European Central Bank (ECB, which monitors the adequacy of banks' capitalization) - 5% in banks with deposit rating Moody A3 (bank of Lithuania, Lithuania), 81% in banks with SaaZ rating (Eurobank Ergasias, Greece), 13% in banks without a credit rating (AS Versobank, Estonia) and 1% of funds in various other banks;
2) other requirements relate primarily to the related party (minority shareholder) - accounts receivable in the amount of 109,394 euros, which is 1.1% of the balance sheet. Of the amount not received on the accounts of payments, 62 315 euros overdue. As far as the board of the company knows, the minority shareholder has sufficient financial capacity to cover its obligations (obligations to the company constitute a very small part of the shareholder’s investment portfolio), and, thanks to participation, the shareholder is interested in the company's welfare, that is, in fulfilling its obligations. The Board considers admission on demand as highly probable;
3) loans provided to customers are minimal (loans are issued for testing the payment system and are not currently a separately defined area of commercial activity).

The Board believes that it has taken all the necessary measures to ensure the sustainability and growth of the GFC under current conditions. According to the board, the company will continue to operate.

Capital Management

Decisions on the distribution of dividends to increase or decrease the share capital are made by the owners in accordance with the financial situation of the company. The costs for the period of the company's development (development of the technical base and finding markets) are financed by own capital and covering the costs of the owners.

Own funds

31.12.2017	31.12.2016	
446 040	446 040	Contributed share capital
149 250	149 250	Agio
-336 881	-361 355	Retained profit / loss for previous periods
83 208	24 474	Profit / loss for the current financial year
340 322	258 410	Total own funds of the first level
125 000	125 000	The minimum amount of equity according to the minimum size of the stock
115 322	133 410	Surplus deficit net equity

When managing capital, GFC fulfills the capital requirements provided for in the PIEMIA. To ensure its reliability and reduce the risks associated with the provision of payment services, the payment institution is obliged to constantly comply with prudential standards. In 2017, there were no problems with compliance with these requirements. GFC own funds exceed the limit established by law.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2017	31.12.2016
Bank accounts EUR	4 444 431	42 458
Bank accounts USD	4 768 003	341
Bank accounts GBP	7 695	467
Bank accounts PLN	116	108
Cash in hand	11 830	650
Total cash and cash equivalents	**9 232 075**	**44 024**

Note 3 Receivables and prepayments

(In Euros)

	31.12.2017	Allocation by remaining maturity	
		Within 12 months	1 - 5 years
Accounts receivable	109 495	109 495	0
Accounts receivables	109 495	109 495	0
Other receivables	2 971	2 971	0
Loan receivables	2 881	2 881	0
Accrued income	90	90	0
Prepayments	1 000	1 000	0
Deferred expenses	1 000	1 000	0
Prepayments for services	162 738	162 738	0
Deposit	23 347	0	23 347
Total receivables and prepayments	**299 551**	**276 204**	**23 347**

	31.12.2016	Allocation by remaining maturity	
		Within 12 months	1 - 5 years
Accounts receivable	38 632	38 632	0
Accounts receivables	38 632	38 632	0
Other receivables	4 953	4 953	0
Loan receivables	4 953	4 953	0
Prepayments	1 000	1 000	0
Deferred expenses	1 000	1 000	0
Prepayments for services	165 230	165 230	0
Deposit	26 563	0	26 563
Total receivables and prepayments	**236 378**	**209 815**	**26 563**

Note 4 Property, plant and equipment

(In Euros)

	Computers and computer systems	Machinery and equipment	Total
31.12.2016			
Carried at cost	12 950	12 950	12 950
Accumulated depreciation	0	0	0
Residual cost	**12 950**	**12 950**	**12 950**
Depreciation	-1 295	-1 295	-1 295
Other changes	-6 475	-6 475	-6 475
31.12.2017			
Carried at cost	6 475	6 475	6 475
Accumulated depreciation	-1 295	-1 295	-1 295
Residual cost	**5 180**	**5 180**	**5 180**

Note 5 Payables and prepayments

(In Euros)

	31.12.2017	Within 12 months
Trade payables	14 467	14 467
Employee payables	20 073	20 073
Tax payables	10 636	10 636
Other payables	7 519	7 519
Other accrued expenses	7 519	7 519
Clients assets	9 120 768	9 120 768
In terms of money	58 671	58 671
Total payables and prepayments	**9 232 134**	**9 232 134**
	31.12.2016	Within 12 months
Trade payables	11 500	11 500
Employee payables	11 801	11 801
Tax payables	11 192	11 192
Other payables	6 674	6 674
Other accrued expenses	6 674	6 674
Clients assets	3 842	3 842
Total payables and prepayments	**45 009**	**45 009**

Note 6 Contingent liabilities and assets

(In Euros)

As of December 31, 2017, the undistributed loss of the company amounts to EUR -253,673 (as of December 31, 2016, -336,881 euros). Thus, the company cannot pay dividends, and at the moment there are no potential income tax liabilities.

The tax manager has the right to control tax accounting for a period of up to 5 years from the date of the filing of the tax return and, in case of errors, assign an additional tax, interest and/or a fine. According to the company's management, there are no circumstances as a result of which the tax manager can impose a significant additional tax.

Note 7 Share capital

(In Euros)

	31.12.2017	31.12.2016
Share capital	446 040	446 040
Number of shares (pcs)	354	354
Nominal value of shares	1 260	1 260

Note 8 Net sales

(In Euros)

	2017	2016
Net sales by geographical location		
Net sales in European Union		
Estonia	130 303	2 774
Total net sales in European Union	**130 303**	**2 774**
Total net sales	**130 303**	**2 774**
Net sales by operating activities		
Income from payment services	121 134	151
Other income	9 169	2 623
Total net sales	**130 303**	**2 774**

Note 9 Other operating income

(In Euros)

	2017	2016	Note
Development costs	376 435	371 433	14
Other	17 000	10 661	
Total other operating income	**393 435**	**382 094**	

Note 10 Goods, raw materials and services

(In Euros)

	2017	2016
Direct expenses for payment services	-177 567	-145 812
Total goods, raw materials and services	**-177 567**	**-145 812**

Note 11 Miscellaneous operating expenses

(In Euros)

	2017	2016
Leases	0	13 000
Miscellaneous office expenses	59 655	41 889
Travel expense	2 610	5 036
Training expense	329	409
Other	0	2 897
Total miscellaneous operating expenses	**62 594**	**63 231**

Note 12 Labor expense

(In Euros)

	2017	2016
Wage and salary expense	155 423	117 022
Social security taxes	52 270	39 351
Vacation expenses	6 000	-2 845
Total labor expense	**213 693**	**153 528**
Average number of employees in full time equivalent units	9	7

Note 13 Other financial income and expense

(In Euros)

	2017	2016
Profit (loss) from exchange rate differences	14 620	2 008
Other financial income	0	166
Total other financial income and expense	**14 620**	**2 174**

Note 14 Related parties

(In Euros)

The name of the parent company, obliged to keep records	GFC Holding OÜ
The state where the parent company is registered, obliged to keep records	Estonia

Related party balances according to groups

	31.12.2017		31.12.2016	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	0	157	0	0
Legal person with material ownership interest and material influence of management and higher	109 394	0	38 531	0

Purchases and sales

	2017		2016	
	Purch ases	Sales	Purchases	Sales
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	0	3 000	0
Legal person with material ownership interest and material influence of management and higher	0	376 435	0	371 433

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2017	2016
Remuneration	30 000	29 300

Note 15 Events after the reporting date

The company completed the development project in the first quarter of 2018 and sold it to the parent company. Related to this the related to this project and the company wrote off the balance sheet the related to the project in the amount of 161,480 euros.

Although the revenue which was essential for the company ended, the company is currently in profit relate principal activity thanks to the significant growth in the volume of active customers in 2017.

Electronic digital signatures under the report

Report Completion Date: 07/11/2018

The accuracy of the report data for January 1, 2017 and December 31, 2017 for the financial year of GFC Good Finance Company AS (registration code: 12423254) was confirmed in digital form:

Subscribers Name	Subscribers Role	Date Signatures
MILANA RAINSON	Member of the Board	11.07.2018

Sworn auditor's report

To the Shareholders of GFC Good Finance Company AS

Our opinion

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

We audited the Company's financial statements that comprise:

- the balance sheet as at 31 December 2017;
- the income statement for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of 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 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.

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.

Emphasis of matter

We draw attention to the fact that as at 31 December 2017 a part of the Company's cash is held in credit institution Versobank AS, which liquidation process commenced after balance sheet date. The Management Board has disclosed the risk associated with the situation and activity plan to mitigate the risk in note 1 under section "Managing risk and description of main risks". Our opinion is not qualified in respect of this matter.

Other information

The Management Board is responsible for the other information contained in the annual report in addition to the financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 financial statements

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

In preparing the financial statements, 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Lauri Past
Auditor's certificate no.567
Kristi Ziugov
Auditor's certificate no.650
AS PricewaterhouseCoopers
License for activity number 6
Pärnu mnt 15,10141 Tallinn
11 July 2018

Digital signatures of auditors

Added to the report for the economic year 01 01.2017 – 31.12.2017 GFC Good Finance Company AS (registration code 12423254) the audit report was signed in digital form:

Subscribers Name	Subscribers Role	Date Signatures
Lauri Past	Sworn auditor	11 07.2018
Kristi Ziugov	Sworn auditor	11.07.2018

Profit distribution proposal

(In Euros)

	31.12.2017
Retained earnings (loss) for previous periods	-336 881
Profit (loss) for the reporting year	83 208
Total	**-253 673**
Distribution	
Retained earnings (loss) for previous periods after distribution (coverage)	-253 673
Total	**-253 673**

Distribution of profit from sales by activity

Field of activity	EMTAK Code	Sales profit (EUR)	Sales profit, %	The main activity
Implementation of other unclassified financial services, excluding insurance and pension funds	**64991**	**121 384**	**93,16**	**Yes**

Means of communication

Type	content
Telephone	+372 6290050
e-mail address	info@gfc.ee