

**UGM SECURITIES LTD**

**REPORT AND FINANCIAL STATEMENTS**

Year ended 31 December 2022

# UGM SECURITIES LTD

## REPORT AND FINANCIAL STATEMENTS

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Year ended 31 December 2022

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# UGM SECURITIES LTD

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## BOARD OF DIRECTORS AND OTHER OFFICERS

**Board of Directors:**

Savvas Zannetos  
Zhaslan Adilbaev  
Anna Glazunova  
Askhat Sagdiev (resigned on 28 February 2022)  
Natalja Milovanova - Non Executive (resigned on 31 January 2023)

**Company Secretary:**

Savvas Zannetos

**Independent Auditors:**

Finexpert Audit Limited  
Chartered Certified Accountants

**Registered office:**

20 Spyrou Kyprianou street  
Office 102, Agioi Omologites  
1075 Nicosia  
Cyprus

**Bankers:**

Hellenic Bank Public Company Ltd  
PJSC Rosbank  
LLC IVA Partners (brokers)  
Global Prime Partners Ltd (brokers)

**Registration number:**

HE 360073

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2022.

### **Principal activities and nature of operations of the Company**

The company is a Cyprus Investment Firm with the licence number CIF 352/17 and the principle activities are the provision of brokerage and asset safekeeping services to its individual and corporate clients.

### **Review of current position, future developments and performance of the Company's business**

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 21 of the financial statements.

### **Results**

The Company's results for the year are set out on page 6.

### **Dividends**

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

### **Share capital**

#### **Authorised capital**

On 7 September 2022, the Company increased the authorised capital by 1,500,000 ordinary shares at a nominal value of €1.00 each.

#### **Issued capital**

On 7 September 2022 under a special resolution the Company increased its share capital from €3,500,000 divided to 3,500,000 ordinary shares of €1.00 nominal value each to €5,000,000 divided to 5,000,000 ordinary shares of €1.00 nominal value each.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2022 and at the date of this report are presented on page 1. On 28 February 2022 Mr. Askhat Sagdiev resigned from his position as Director of the Company. On 31 January 2023 Mrs. Natalja Milovanova resigned from her position as Director of the Company.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### **Independent Auditors**

The Independent Auditors, Finexpert Audit Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Savvas Zannetos  
Secretary

Nicosia, 27 April 2023



## **Independent Auditor's Report**

### **To the Members of UGM Securities Ltd**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of UGM Securities Ltd (the "Company"), which are presented in pages 6 to 27 and comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

##### **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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include 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 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 Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



# **Independent Auditor's Report (continued)**

## **To the Members of UGM Securities Ltd**

### **Responsibilities of the Board of Directors for the Financial Statements (continued)**

In preparing the financial statements, the Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is 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 scepticism 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 a true and fair view.

We communicate with the Board of Directors 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.

### **Report on Other Legal Requirements**

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Report of the Board of Directors has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors

## **Independent Auditor's Report (continued)**

### **To the Members of UGM Securities Ltd**

#### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Andreas Georgiou  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**Finexpert Audit Limited**  
**Chartered Certified Accountants**

Nicosia, 27 April 2023

## UGM SECURITIES LTD

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	2022 €	2021 €
<b>Revenue</b>	8	<b>1,780,131</b>	1,028,288
Staff costs	11	<b>(340,736)</b>	(335,379)
Depreciation and amortisation expense		<b>(31,085)</b>	(34,605)
Other operating income		-	2
Administration and other expenses	9	<b>(441,064)</b>	(223,335)
<b>Operating profit</b>	10	<b>967,246</b>	434,971
Net finance (costs)/income	12	<b>(12,688)</b>	149,865
<b>Profit before tax</b>		<b>954,558</b>	584,836
Tax	13	<b>(117,688)</b>	(38,688)
<b>Net profit for the year</b>		<b>836,870</b>	546,148
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>836,870</b>	546,148

The notes on pages 10 to 27 form an integral part of these financial statements.



# UGM SECURITIES LTD


## STATEMENT OF FINANCIAL POSITION

31 December 2022

	Note	2022 €	2021 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	659,137	689,423
Investor compensation fund	16	42,715	42,715
		<u>701,852</u>	<u>732,138</u>
<b>Current assets</b>			
Trade and other receivables	15	792,903	113,945
Cash at bank and in hand	17	4,534,237	2,794,755
		<u>5,327,140</u>	<u>2,908,700</u>
<b>Total assets</b>		<u>6,028,992</u>	<u>3,640,838</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	5,000,000	3,500,000
Other reserves		8,000	8,000
Retained earnings		908,656	71,786
<b>Total equity</b>		<u>5,916,656</u>	<u>3,579,786</u>
<b>Current liabilities</b>			
Trade and other payables	19	44,648	22,364
Current tax liabilities	20	67,688	38,688
		<u>112,336</u>	<u>61,052</u>
<b>Total equity and liabilities</b>		<u>6,028,992</u>	<u>3,640,838</u>

On 27 April 2023 the Board of Directors of UGM Securities Ltd authorised these financial statements for issue.

  
Savvas Zannetos  
Director

  
Zhaslan Adilbaev  
Director

The notes on pages 10 to 27 form an integral part of these financial statements.

# UGM SECURITIES LTD

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Note	Share capital €	Statutory reserve €	Retained earnings/ (accumulated losses) €	Total €
<b>Balance at 1 January 2021</b>		<b>3,500,000</b>	-	<b>(474,362)</b>	<b>3,025,638</b>
Net profit for the year		-	-	546,148	546,148
Shareholders' contribution		-	8,000	-	8,000
<b>Balance at 31 December 2021/ 1 January 2022</b>		<b>3,500,000</b>	<b>8,000</b>	<b>71,786</b>	<b>3,579,786</b>
Net profit for the year		-	-	836,870	836,870
Issue of share capital	18	1,500,000	-	-	1,500,000
<b>Balance at 31 December 2022</b>		<b>5,000,000</b>	<b>8,000</b>	<b>908,656</b>	<b>5,916,656</b>

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 10 to 27 form an integral part of these financial statements.

# UGM SECURITIES LTD

## STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 €	2021 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>954,558</b>	584,836
Adjustments for:			
Depreciation of property, plant and equipment	14	<b>31,085</b>	34,605
Unrealised exchange profit		<b>(159,035)</b>	(198,744)
Interest expense	12	<b>28,180</b>	5,325
		<b>854,788</b>	426,022
<b>Changes in working capital:</b>			
(Increase)/decrease in trade and other receivables		<b>(678,959)</b>	108,032
Increase/(Decrease) in trade and other payables		<b>22,284</b>	(26,804)
<b>Cash generated from operations</b>		<b>198,113</b>	507,250
Tax paid		<b>(88,688)</b>	-
<b>Net cash generated from operating activities</b>		<b>109,425</b>	507,250
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment	14	<b>(798)</b>	(5,399)
Proceeds from disposal of property, plant and equipment		-	7,440
<b>Net cash (used in)/generated from investing activities</b>		<b>(798)</b>	2,041
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		<b>1,500,000</b>	-
Unrealised exchange profit		<b>159,035</b>	198,894
Interest paid		<b>(28,180)</b>	(5,325)
Proceeds from shareholder's contribution		-	8,000
<b>Net cash generated from financing activities</b>		<b>1,630,855</b>	201,569
<b>Net increase in cash and cash equivalents</b>		<b>1,739,482</b>	710,860
Cash and cash equivalents at beginning of the year		<b>2,792,128</b>	2,081,268
<b>Cash and cash equivalents at end of the year</b>	17	<b>4,531,610</b>	2,792,128

The notes on pages 10 to 27 form an integral part of these financial statements.



# UGM SECURITIES LTD

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 1. Incorporation and principal activities

#### Country of incorporation

The Company UGM Securities Ltd (the "Company") was incorporated in Cyprus on 15 September 2016 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 20 Spyrou Kyprianou street, Office 102, Agioi Omologites, 1075 Nicosia, Cyprus.

#### Principal activities

The company is a Cyprus Investment Firm with the licence number CIF 352/17 and the principle activities are the provision of brokerage and asset safekeeping services to it's individual and corporate clients.

### 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

### 3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the Company.

### 4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

#### Revenue

##### Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices ) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.



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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 4. Significant accounting policies (continued)

#### Revenue (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

#### Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

- **Commission income**

Commission income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

#### Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

#### Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

#### Foreign currency translation

**(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

**(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.



# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 4. Significant accounting policies (continued)

#### Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

Buildings	%
Motor vehicles	3%
Furniture, fixtures and office equipment	20%
Computer equipment	10%
Computer software	20%
	33.33%

No depreciation is provided on land.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Financial assets

##### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.



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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

##### Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

##### Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

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

##### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

##### Financial liabilities - Modifications

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

#### Financial liabilities - Modifications (continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

#### Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

#### Share capital

Ordinary shares are classified as equity.

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 6. Financial risk management

#### Financial risk factors

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

#### 6.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments as well as outstanding receivables.

##### *(i) Risk management*

Credit risk is managed on a group basis. For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'C'.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Company to reduce its credit risk significantly.

##### *(ii) Impairment of financial assets*

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- cash and cash equivalents

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### *Significant increase in credit risk*

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 6. Financial risk management (continued)

#### 6.1 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

##### *Low credit risk*

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

##### *Default*

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

##### *Write-off*

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

There were no impairment and/ or past due but not impaired financial assets as at 31 December 2022 and 2021.

The Company does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

##### *(iii) Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.



# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 6. Financial risk management (continued)

#### 6.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

<b>31 December 2022</b>	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Trade and other payables	11,296	11,296	-	11,296	-	-
Payables to related parties	11,730	11,730	-	11,730	-	-
	<b>23,026</b>	<b>23,026</b>	<b>-</b>	<b>23,026</b>	<b>-</b>	<b>-</b>

<b>31 December 2021</b>	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Trade and other payables	150	150	-	150	-	-
Payables to related parties	62	62	-	62	-	-
	<b>212</b>	<b>212</b>	<b>-</b>	<b>212</b>	<b>-</b>	<b>-</b>

#### 6.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and Russian Rouble. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 6.4 Capital risk management

Capital includes equity shares.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

### 7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 7. Critical accounting estimates and judgments (continued)

#### *Judgments*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### *Critical judgements in applying the Company's accounting policies*

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.



# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 7. Critical accounting estimates and judgments (continued)

#### • Useful live of depreciable assets

The Board of Directors assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

### 8. Revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

#### Disaggregation of revenue

	2022	2021
	€	€
Commissions receivable	<u>1,780,131</u>	<u>1,028,288</u>
	<u>1,780,131</u>	<u>1,028,288</u>

### 9. Administration and other expenses

	2022	2021
	€	€
Licenses and taxes	16,883	6,140
Municipality taxes	210	200
Annual levy	350	350
Immovable property tax	68	62
Electricity	3,543	2,072
Water supply and cleaning	77	82
Insurance	1,915	2,135
Repairs and maintenance	-	115
Telephone and postage	1,992	1,813
Courier expenses	264	301
Stationery and printing	683	507
Subscriptions and contributions	139,988	103,101
Staff training	1,238	1,610
Sundry staff costs	5,526	4,435
Computer supplies and maintenance	2,014	1,626
Auditors' remuneration	11,000	6,500
Accounting fees	12,000	12,000
Legal fees	500	630
Other professional fees	143,495	31,802
Revenue stamps	1,613	296
Fines	370	5,865
Travelling	66,090	9,998
Entertaining	10,445	-
Motor vehicle running costs	1,642	4,046
Administration expenses	18,143	13,006
Fixed annual contribution	-	8,317
Variable annual contribution	407	3,883
Common expenses	608	1,825
Sundry expenses	-	618
	<u>441,064</u>	<u>223,335</u>

# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 10. Operating profit

	2022 €	2021 €
Operating profit is stated after charging the following items:		
Staff costs including Directors in their executive capacity (Note 11)	340,736	335,379
Auditors' remuneration	11,000	6,500

### 11. Staff costs

	2022 €	2021 €
Salaries	296,551	291,954
Social security costs	44,185	43,425
	340,736	335,379

Average number of employees (including Directors in their executive capacity)	13	12
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### 12. Finance income/(costs)

	2022 €	2021 €
<b>Finance income</b>		
Realised foreign exchange profit	-	982
Unrealised foreign exchange profit	159,035	198,744
	159,035	199,726

### Finance costs

#### Interest expense

Bank interest	(28,180)	(5,325)
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#### Sundry finance expenses

Bank charges	(95,211)	(44,536)
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#### Net foreign exchange losses

Realised foreign exchange loss	(48,332)	-
	(171,723)	(49,861)

#### Net finance (costs)/income

	(12,688)	149,865
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### 13. Tax

	2022 €	2021 €
Corporation tax	117,688	38,688
<b>Charge for the year</b>	117,688	38,688



# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 13. Tax (continued)

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2022 €	2021 €
Profit before tax	<u>954,558</u>	<u>584,836</u>
Tax calculated at the applicable tax rates	119,320	73,105
Tax effect of expenses not deductible for tax purposes	14,978	6,318
Tax effect of allowances and income not subject to tax	(22,763)	(28,289)
Tax effect of tax losses brought forward	-	(15,963)
10% additional charge	<u>6,153</u>	<u>3,517</u>
<b>Tax charge</b>	<u><b>117,688</b></u>	<u><b>38,688</b></u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 14. Property, plant and equipment

	Land and buildings	Motor vehicles	Furniture, fixtures and office equipment	Computer Software	Total
	€	€	€	€	€
<b>Cost</b>					
Balance at 1 January 2021	695,628	77,287	28,843	3,570	805,328
Additions	-	-	5,399	-	5,399
Disposals	-	(37,200)	-	-	(37,200)
	(150)	-	-	-	(150)
<b>Balance at 31 December 2021/ 1 January 2022</b>	<b>695,478</b>	<b>40,087</b>	<b>34,242</b>	<b>3,570</b>	<b>773,377</b>
Additions	-	-	798	-	798
<b>Balance at 31 December 2022</b>	<b>695,478</b>	<b>40,087</b>	<b>35,040</b>	<b>3,570</b>	<b>774,175</b>
<b>Depreciation</b>					
Balance at 1 January 2021	20,869	37,777	16,893	3,570	79,109
Charge for the year	20,864	8,018	5,723	-	34,605
On disposals	-	(29,760)	-	-	(29,760)
<b>Balance at 31 December 2021/ 1 January 2022</b>	<b>41,733</b>	<b>16,035</b>	<b>22,616</b>	<b>3,570</b>	<b>83,954</b>
Charge for the year	20,865	8,017	2,203	-	31,085
<b>Balance at 31 December 2022</b>	<b>62,597</b>	<b>24,052</b>	<b>24,819</b>	<b>3,570</b>	<b>115,038</b>
<b>Net book amount</b>					
<b>Balance at 31 December 2022</b>	<b>632,881</b>	<b>16,035</b>	<b>10,221</b>	<b>-</b>	<b>659,137</b>
<b>Balance at 31 December 2021</b>	<b>653,745</b>	<b>24,052</b>	<b>11,626</b>	<b>-</b>	<b>689,423</b>

### 15. Trade and other receivables

	2022 €	2021 €
Trade receivables	11,545	66,177
Shareholders' current accounts - debit balances (Note 22.3)	619,426	-
Receivables from other related parties (Note 22.2)	123,826	23,553
Deposits and prepayments	1,200	200
Other receivables	1,326	594
Refundable VAT	35,580	23,421
	<b>792,903</b>	<b>113,945</b>

The Company does not hold any collateral over the trading balances.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.



# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 16. Investor compensation fund

	2022 €	2021 €
Balance at 1 January	<u>42,715</u>	<u>42,715</u>
<b>Balance at 31 December</b>	<b><u>42,715</u></b>	<b><u>42,715</u></b>

### 17. Cash at bank and in hand

Cash balances are analysed as follows:

	2022 €	2021 €
Cash at bank and in hand	<u>4,531,610</u>	<u>2,792,128</u>
Bank deposits	<u>2,627</u>	<u>2,627</u>
	<b><u>4,534,237</u></b>	<b><u>2,794,755</u></b>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

### 18. Share capital

	2022 Number of shares	2022 €	2021 Number of shares	2021 €
<b>Authorised</b>				
Ordinary shares of €1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
<b>Issued and fully paid</b>				
Balance at 1 January	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Issue of shares	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December</b>	<b><u>5,000,000</u></b>	<b><u>5,000,000</u></b>	<b><u>3,500,000</u></b>	<b><u>3,500,000</u></b>

#### Authorised capital

On 7 September 2022, the Company increased the authorised capital by 1,500,000 ordinary shares at a nominal value of €1.00 each.

#### Issued capital

On 7 September 2022 under a special resolution the Company increased its share capital from €3,500,000 divided to 3,500,000 ordinary shares of €1.00 nominal value each to €5,000,000 divided to 5,000,000 ordinary shares of €1.00 nominal value each.

# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 19. Trade and other payables

	2022	2021
	€	€
Social insurance and other taxes	9,336	7,444
Shareholders' current accounts - credit balances (Note 22.4)	11,730	62
Accruals	12,286	14,708
Other creditors	11,296	150
	<u>44,648</u>	<u>22,364</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

### 20. Current tax liabilities

	2022	2021
	€	€
Corporation tax	67,688	38,688
	<u>67,688</u>	<u>38,688</u>

### 21. Operating Environment of the Company

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event existed in the reporting period however it is not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2022 as it is considered as a non-adjusting event.

The Company has the following exposures in Ukraine, the Russian Federation and Belarus:

- Bank and custodial accounts
- Counterparties (investment companies)



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2022

**21. Operating Environment of the Company (continued)**

Operating in Russia, Belarus and Ukraine involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Financial and economic sanctions imposed by the global community on certain sectors of the Russian economy as well as businesses and individuals in Russia in the first quarter of 2022, and the counter-measures imposed by Russia on the United States of America, United Kingdom and European Union, may potentially pose a risk to the Company's operations. These factors may have a negative impact on the Company's supply arrangements, capital flows and ability of the Company to secure external financing.

The Company actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia and Belarus is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation and Belarus.

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company and has concluded that the main impacts on the Company's profitability/liquidity position may arise from:

- disruption in banking systems and capital markets
- reductions in sales and earnings of business in affected areas
- restriction on cash balances
- impairments of financial and non-financial assets
- delays in planned business expansion
- increased volatility in the value of financial instrument
- disruption in travel and other leisure activities
- increase in expected credit losses from trade receivables, debt investments and intercompany loans
- volatility/abnormally large changes in equity or debt securities, prices, commodity prices, foreign currency exchange rates, and/or interest rates after 31 December 2022 that will significantly impact the measurement of assets in the next 12 months

Management is in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the main impacts identified above.

Management will continue to monitor the situation closely and assess for a fall-back plan in case the crisis becomes prolonged.

**22. Related party transactions**

Up to 16 August 2022, the Company was owned by Mr Zhaslan Adilbaev, non-domicile tax resident of Cyprus, who owned 40% of the Company's shares and Mr Askhat Sagdiev, a Russian citizen who owned 60% of the company's shares. From 16 August 2022, 100% of the Company's shares are owned by Mr Zhaslan Adilbaev.

The following transactions were carried out with related parties:

**22.1 Directors' remuneration**

The remuneration of Directors and other members of key management was as follows:

	2022	2021
	€	€
Directors' remuneration	<b>126,319</b>	122,876
	<b>126,319</b>	122,876

# UGM SECURITIES LTD

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 22. Related party transactions (continued)

#### 22.2 Receivables from related parties (Note 15)

<u>Name</u>	<u>Nature of transactions</u>	2022 €	2021 €
Elidi Capital Ltd	Trade	<u>123,826</u>	23,553
		<u>123,826</u>	<u>23,553</u>

The receivables from related parties were provided interest free, and there was no specified repayment date.

#### 22.3 Shareholders' current accounts - debit balances (Note 15)

	2022 €	2021 €
Shareholders' current account - debit balance	<u>619,426</u>	-
	<u>619,426</u>	<u>-</u>

The directors'/shareholders' current accounts are interest free, and have no specified repayment date.

#### 22.4 Shareholders' current accounts - credit balances (Note 19)

	2022 €	2021 €
Shareholders' current account - credit balance	<u>11,730</u>	62
	<u>11,730</u>	<u>62</u>

The shareholders' current account is interest free, and has no specified repayment date.

### 23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2022.

### 24. Commitments

The Company had no capital or other commitments as at 31 December 2022.

### 25. Events after the reporting period

As explained in note 21 the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russia and Ukraine, and continued negative impact on economic activity, the Company might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022 which relate to new developments that occurred after the reporting period.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the main impact in the Company's profitability position may arise from inability to perform its contract obligations to their clients due to the EU sanctions imposed to Russian banks and Russian Federation counter sanctions imposed on Russian financial instruments traded by the foreign entities and foreign individuals in active markets.

The Company has the following exposures in the Russian Federation:

- Bank accounts: The company holds its own and clients' accounts with PJSC Rosbank which is currently under sanctions.



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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 25. Events after the reporting period (continued)

- Clients: Which are foreign individuals and entities that can't trade in Russian financial instruments due to the counter sanctions of Russian Federation.

Operating in Russia involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Financial and economic sanctions imposed by the global community on certain sectors of the Russian economy as well as businesses and individuals in Russia in the first quarter of 2022, and the counter-measures imposed by Russia on the United States of America, United Kingdom and European Union, may potentially pose a risk to the Company's operations. These factors may have a negative impact on the Company's supply arrangements, capital flows and ability of the Company to secure external financing.

The Company actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia and Belarus is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation.

Management will continue to monitor the situation closely and seek additional measures as a fall-back plan in case the crisis becomes prolonged.

Rosbank PJSC got under sanctions in December 2022.

Some clients' assets (money and securities) are stuck in Rosbank PJSC due to the sanctions imposed by EC and OFAC. The Company applied to issue the license from OFAC in order to unfreeze them.

**Independent auditor's report on pages 3 to 5**