

UGM SECURITIES LTD

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2019

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UGM SECURITIES LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Savvas Zannetos
Zhaslan Adilbaev
Ruslan Adilbaev
Natalia Milovanova
Askhat Sagdiev (appointed on 4 March 2019)

Company Secretary: Savvas Zannetos

Independent Auditors: Finexpert Audit Limited
Chartered Certified Accountants

Registered office: 30 Chytron street
Office A32
1075 Nicosia
Cyprus

Bankers: Hellenic Bank Public Company Ltd
ING Bank, Poland
LLC Univer Capital
PJSC Rosbank

Registration number: HE 360073

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 2019.

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 activity is the fund management services.

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 not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 7 and 8 of the financial statements.

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

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.

Results

The Company's results for the year are set out on page 7.

Dividends

The Company did not have any distributable profits as at 31 December 2019, thus the Board of Directors cannot recommend the payment of a dividend.

Share capital

Authorised capital

On 18 February 2019 under the special resolution the Company increased its share capital from 1,000,000 ordinary shares of nominal value of €1 each to 3,500,000 ordinary shares of nominal value of €1 each.

Issued capital

On 18 February 2019 under the special resolution the Company issued additional share capital of 2,500,000 ordinary shares of €1 each at par.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. On 4 March 2019 Mr. Askhat Sagdiev was appointed as an additional 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, 13 March 2020

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 7 to 24 and comprise the statement of financial position as at 31 December 2019, 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 2019, 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 and the additional information to the statement of profit or loss and other comprehensive income in pages 25 to 27, 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.

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.

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Independent Auditor's Report (continued)

To the Members of UGM Securities Ltd

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

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.



Anna Kallidou
Certified Public Accountant and Registered Auditor
for and on behalf of
Finexpert Audit Limited
Chartered Certified Accountants

Nicosia, 13 March 2020

UGM SECURITIES LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 €	2018 €
Revenue		352,602	110
Staff costs	11	(212,637)	(168,560)
Depreciation and amortisation expense		(12,688)	(12,631)
Administration and other expenses	9	(156,095)	(117,236)
Operating loss	10	(28,818)	(298,317)
Net finance costs	12	(38,879)	(57,699)
Loss before tax		(67,697)	(356,016)
Tax	13	-	-
Net loss for the year		(67,697)	(356,016)
Other comprehensive income		-	-
Total comprehensive expense for the year		(67,697)	(356,016)

The notes on pages 11 to 24 form an integral part of these financial statements.

UGM SECURITIES LTD

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	14	26,192	38,308
Investor compensation fund	17	42,715	42,715
		<u>68,907</u>	<u>81,023</u>
Current assets			
Trade and other receivables	15	147,493	2,188
Financial assets at fair value through profit or loss	16	461,335	-
Cash at bank and in hand	18	2,330,315	340,116
		<u>2,939,143</u>	<u>342,304</u>
Total assets		<u>3,008,050</u>	<u>423,327</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19	3,500,000	1,000,000
Accumulated losses		(654,951)	(587,254)
Total equity		<u>2,845,049</u>	<u>412,746</u>
Current liabilities			
Trade and other payables	20	163,001	10,581
		<u>163,001</u>	<u>10,581</u>
Total equity and liabilities		<u>3,008,050</u>	<u>423,327</u>

On 13 March 2020 the Board of Directors of UGM Securities Ltd authorised these financial statements for issue.



Savvas Zannetos
Director



Zhaslan Adilbaev
Director



Ruslan Adilbaev
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

UGM SECURITIES LTD

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Share capital €	Accumulated losses €	Total €
Balance at 1 January 2018		1,000,000	(231,238)	768,762
Net loss for the year		-	(356,016)	(356,016)
Balance at 31 December 2018/ 1 January 2019		1,000,000	(587,254)	412,746
Net loss for the year		-	(67,697)	(67,697)
Transactions with owners				
Issue of share capital	19	2,500,000	-	2,500,000
Balance at 31 December 2019		3,500,000	(654,951)	2,845,049

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 11 to 24 form an integral part of these financial statements.

UGM SECURITIES LTD

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(67,697)	(356,016)
Adjustments for:			
Depreciation of property, plant and equipment	14	12,688	12,631
Unrealised exchange (profit)/loss		(25,780)	46,486
Interest income		(29,482)	-
		(110,271)	(296,899)
Changes in working capital:			
Increase in trade and other receivables		(145,305)	(408)
Increase in financial assets at fair value through profit or loss		(461,335)	-
Increase in bank deposits		(2,627)	-
Increase in trade and other payables		152,420	1,807
Cash used in operations		(567,118)	(295,500)
Interest received		29,482	-
Net cash used in operating activities		(537,636)	(295,500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	14	(571)	(3,570)
Payment for purchase of other assets	17	-	(42,715)
Net cash used in investing activities		(571)	(46,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		2,500,000	-
Unrealised exchange profit/(loss)		25,779	(46,486)
Net cash generated from/(used in) financing activities		2,525,779	(46,486)
Net increase/(decrease) in cash and cash equivalents		1,987,572	(388,271)
Cash and cash equivalents at beginning of the year		340,116	728,387
Cash and cash equivalents at end of the year	18	2,327,688	340,116

The notes on pages 11 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 30 Chytron street, Office A32, 1075 Nicosia, Cyprus.

Principal activities

The company is a Cyprus Investment Firm with the licence number CIF 352/17 and the principle activity is the fund management services.

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, and financial assets and financial liabilities at fair value through profit or loss.

3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

4. 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 2019. This adoption did not have a material effect on the accounting policies of the Company.

5. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Significant accounting policies (continued)

Revenue recognition (continued)

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.

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).

- **Rendering of services**

Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

- **Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2019 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Commission income**

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

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Significant accounting policies (continued)

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. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain 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.

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:

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC 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.

Trade payables

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

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 7, Credit risk section.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

5. Significant accounting policies (continued)

Trade receivables (continued)

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.

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.

6. 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.

7. Financial risk management

Financial risk factors

The Company is exposed to market price risk, 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:

7.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

7.2 Credit risk

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 and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7. Financial risk management (continued)

7.2 Credit risk (continued)

(i) Risk management (continued)

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(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

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets).

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. 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.

Trade receivables and contract assets 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.

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

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7. Financial risk management (continued)

7.2 Credit risk (continued)

(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.

7.3 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.

31 December 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Trade and other payables	147,780	147,780	-	147,780	-	-
Payables to related parties	218	218	-	218	-	-
	147,998	147,998	-	147,998	-	-

31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Trade and other payables	6,520	6,520	-	6,520	-	-
	6,520	6,520	-	6,520	-	-

7.4 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. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019	2018	2019	2018
	€	€	€	€
United States Dollars	133,531	-	609,115	110
	133,531	-	609,115	110

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7. Financial risk management (continued)

7.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

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.

8. 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.

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:

- **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.

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets at fair value through other comprehensive income has been estimated based on the fair value of these individual assets.

- **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 7, Credit risk section.

UGM SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8. Critical accounting estimates and judgments (continued)

- **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.

9. Administration and other expenses

	2019	2018
	€	€
Other rent	-	7,500
Insurance	1,913	-
Repairs and maintenance	654	255
Telephone and postage	2,280	1,712
Subscriptions and contributions	58,715	26,145
Staff training	1,165	3,570
Computer supplies and maintenance	2,726	7,830
Auditors' remuneration	3,000	2,083
Accounting fees	-	6,000
Legal fees	11,824	41,713
Other professional fees	40,996	-
Fines	393	185
Entertaining	3,990	-
Motor vehicle running costs	3,264	1,602
Domain and hosting	-	26
Administration expenses	8,337	8,588
Fixed annual contribution	8,438	-
Use of office space	8,400	10,027
	<u>156,095</u>	<u>117,236</u>

10. Operating loss

	2019	2018
	€	€
Operating loss is stated after charging the following items:		
Staff costs (Note 11)	212,637	168,560
Auditors' remuneration	<u>3,000</u>	<u>2,083</u>

11. Staff costs

	2019	2018
	€	€
Salaries	187,257	152,000
Social security costs	<u>25,380</u>	<u>16,560</u>
	<u>212,637</u>	<u>168,560</u>
Average number of employees	<u>10</u>	<u>4</u>

UGM SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

12. Finance costs

	2019 €	2018 €
Net foreign exchange (gains)/ losses	(25,780)	46,486
Bank charges	<u>64,659</u>	<u>11,213</u>
Finance costs	<u>38,879</u>	<u>57,699</u>

13. Tax

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

	2019 €	2018 €
Loss before tax	<u>(67,697)</u>	<u>(356,016)</u>
Tax calculated at the applicable tax rates	(8,462)	(44,502)
Tax effect of expenses not deductible for tax purposes	2,043	8,551
Tax effect of allowances and income not subject to tax	(3,879)	(649)
Tax effect of tax loss for the year	<u>10,298</u>	<u>36,600</u>
Tax charge	<u>-</u>	<u>-</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 2019

14. Property, plant and equipment

	Motor vehicles	Furniture, fixtures and office equipment	Computer software	Total
	€	€	€	€
Cost				
Balance at 1 January 2018	37,200	21,610	-	58,810
Additions	-	-	3,570	3,570
Balance at 31 December 2018/ 1 January 2019	37,200	21,610	3,570	62,380
Additions	-	571	-	571
Balance at 31 December 2019	37,200	22,181	3,570	62,951
Depreciation				
Balance at 1 January 2018	7,440	4,001	-	11,441
Charge for the year	7,440	4,001	1,190	12,631
Balance at 31 December 2018/ 1 January 2019	14,880	8,002	1,190	24,072
Charge for the year	7,440	4,057	1,190	12,687
Balance at 31 December 2019	22,320	12,059	2,380	36,759
Net book amount				
Balance at 31 December 2019	14,880	10,122	1,190	26,192
Balance at 31 December 2018	22,320	13,608	2,380	38,308

15. Trade and other receivables

	2019	2018
	€	€
Trade receivables	146,257	110
Receivables from associates (Note 21.2)	-	1,378
Deposits and prepayments	1,236	700
	147,493	2,188

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 7 of the financial statements.

16. Financial assets at fair value through profit or loss

	2019	2018
	€	€
Balance at 1 January	-	-
Additions	442,814	-
Change in fair value	18,521	-
Balance at 31 December	461,335	-

UGM SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

16. Financial assets at fair value through profit or loss (continued)

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

17. Investor compensation fund

	2019	2018
	€	€
Balance at 1 January	42,715	-
Additions	-	42,715
Balance at 31 December	42,715	42,715

18. Cash at bank and in hand

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash at bank and in hand	407,688	340,116
Bank deposits	2,627	-
Cash in transit	1,920,000	-
	2,330,315	340,116

Cash in transit relates to funds sent from one bank account of the company and not received in the other bank account as at 31 December 2019.

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the financial statements.

19. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
Authorised				
Ordinary shares of €1 each	3,500,000	3,500,000	1,000,000	1,000,000
Issued and fully paid				
Balance at 1 January	1,000,000	1,000,000	1,000,000	1,000,000
Additional issue of shares	2,500,000	2,500,000	-	-
Balance at 31 December	3,500,000	3,500,000	1,000,000	1,000,000

Authorised capital

On 18 February 2019 under the special resolution the Company increased its share capital from 1,000,000 ordinary shares of nominal value of €1 each to 3,500,000 ordinary shares of nominal value of €1 each.

UGM SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. Share capital (continued)

Issued capital

On 18 February 2019 under the special resolution the Company issued additional share capital of 2,500,000 ordinary shares of €1 each at par.

20. Trade and other payables

	2019	2018
	€	€
Trade payables	135,365	-
Social insurance and other taxes	11,811	2,558
Payables to parent company (Note 21.3)	218	-
Accrued salaries	12,415	194
Accruals	3,192	1,503
Other creditors	-	6,326
	<u>163,001</u>	<u>10,581</u>

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

21. Related party transactions

The Company is owned by Elidi Capital Ltd, incorporated in Cyprus, which owns 40% of the Company's shares and Mr Askhat Sagdiev, a Russian citizen who owns 60% of the company's shares.

The following transactions were carried out with related parties:

21.1 Directors' remuneration

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

	2019	2018
	€	€
Directors' fees	<u>113,608</u>	<u>8,000</u>
	<u>113,608</u>	<u>8,000</u>

21.2 Receivables from parent company (Note 15)

Name	Nature of transactions	2019	2018
		€	€
Elidi Capital Ltd	Finance	-	1,376
		<u>-</u>	<u>1,376</u>

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

21.3 Payables to parent company (Note 20)

Name	Nature of transactions	2019	2018
		€	€
Elidi Capital Ltd	Finance	218	-
		<u>218</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

22. Significant agreements with management

At the end of the year, no significant agreements existed between the Company and its Management.

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

24. Commitments

The Company had no capital or other commitments as at 31 December 2019.

25. Accounting policies up to 31 December 2018

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, are as follows.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

26. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 4 to 6

UGM SECURITIES LTD

DETAILED INCOME STATEMENT

Year ended 31 December 2019

	Page	2019 €	2018 €
Revenue			
Net gain from trading in securities		36,175	-
Commissions receivable		286,945	110
Interest income		29,482	-
Staff costs	26	(212,637)	(168,560)
Depreciation and amortisation expense		(12,688)	(12,631)
		127,277	(181,081)
Other operating expenses	26	(156,095)	(117,236)
Operating loss		(28,818)	(298,317)
Finance costs	27	(38,879)	(57,699)
Net loss for the year before tax		(67,697)	(356,016)

UGM SECURITIES LTD

OPERATING EXPENSES

Year ended 31 December 2019

	2019 €	2018 €
Staff costs		
Wages and salaries	187,257	152,000
Social insurance costs and other funds	<u>25,380</u>	<u>16,560</u>
	<u>212,637</u>	<u>168,560</u>

	2019 €	2018 €
Other operating expenses		
Other rent	-	7,500
Insurance	1,913	-
Repairs and maintenance	654	255
Telephone and postage	2,280	1,712
Subscriptions and contributions	58,715	26,145
Staff training	1,165	3,570
Computer supplies and maintenance	2,726	7,830
Auditors' remuneration	3,000	2,083
Accounting fees	-	6,000
Legal fees	11,824	41,713
Other professional fees	40,996	-
Fines	393	185
Entertaining	3,990	-
Motor vehicle running costs	3,264	1,602
Domain and hosting	-	26
Administration expenses	8,337	8,588
Fixed annual contribution	8,438	-
Use of office space	<u>8,400</u>	<u>10,027</u>
	<u>156,095</u>	<u>117,236</u>

UGM SECURITIES LTD

FINANCE EXPENSES

Year ended 31 December 2019

	2019 €	2018 €
Finance costs		
Sundry finance expenses		
Bank charges	64,659	11,213
Net foreign exchange losses		
Net unrealised foreign exchange (gain)/loss	<u>(25,780)</u>	<u>46,486</u>
	<u>38,879</u>	<u>57,699</u>