

**BROKERCREDITSERVICE
STRUCTURED PRODUCTS PLC**

REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS

Year ended 31 December 2018

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2018

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BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Evgenios Bagiazidis - Appointed on 25 April 2018
Dimitra Karkalli
Lambros Soteriou - Resigned on 25 April 2018

Company Secretary: M. Kyprianou Fiduciaries Ltd

Independent Auditors: Yiallourides & Partners Ltd
Chartered Accountants

Registered office: Agia Zoni 12
AGIA ZONI CENTER
Flat/Office 103
3027 Limassol
Cyprus

Bankers: Hellenic Bank Public Company Ltd
BCS Bank JSC

Registration number: HE158664

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2018.

For avoidance of doubt and for transparency purposes, it is hereby disclosed that the Company and its subsidiaries constitute an integral part of a wider group of companies (that might be also referred to in public sources as BCS Group or BCS Financial Group or FG BCS), the top-level holding company of the mentioned above being FG BCS Limited (incorporated and domiciled in Cyprus). The above-mentioned FG BCS group has full ownership and exercises control over a number of legal entities including those duly licensed and authorised for financial market services and investment activities, the appropriate licences and authorisations duly issued by EU and third countries regulators and authorities.

For the purposes of the present report, the term "Group" refers to the Company and its subsidiaries; unless otherwise is obvious or suggested from the content as well as the description or activities – in the latter case the term "Group" should be understood as referring to the Group's affiliate holding the respective license or authorisation. It is hereby confirmed that the activities of the Group are (to the extent required by law and applicable regulations) exercised with the necessary involvement of its affiliates holding the appropriate license, authorisation or permission.

Incorporation

The Company BrokerCreditService Structured Products PLC was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another three companies, these being Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were fully disposed of on 21 June 2017. Each of the above mentioned wholly owned Subsidiaries is/was established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license).

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

Review of current position, future developments and performance of the Group's business

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

The Board of Directors does not expect major changes or developments in the principal activities, financial position and performance of the Group in the foreseeable future.

The most important highlights of the Group during the year ended 31 December 2018 were::

- Leading positions in sales of structured products to retail customers.
- Increase in the number of listed structured notes on the Moscow Exchange.
- Ability for remote purchase of structured products.
- Increased range of structured products provided.
- Implementation of new types of products.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

The Group's strategic goals and main developing points are:

- Increase of structured products' sales with low interest rates in USA and Europe and reduced rates in Russia
- Implementation of new types of products
- Sales diversification through partners and agents and development of remote and other distribution channels (i.e. promotion of online distribution of structured products through BCS channels, external partnership network extension, joint products with other entities under common control)
- Reporting quality improvement

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in note 6 of the consolidated financial statements.

Existence of branches

The Company and its subsidiaries do not maintain any branches.

Use of financial instruments by the Group

The Group's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk arising from the financial instruments it holds. The Company and its consolidated subsidiaries, as part of their operations and normal activities use various financial instruments such as options, futures, forward contracts, direct and reverse repurchase agreements, credit linked notes and other instruments which expose the Group to the financial risks mentioned above.

The Group's risk management function is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems. The Group regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice.

The current structure of the risk framework implemented by the Group aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Group's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Group to achieve overall objectives.

The responsibility for the overall framework of risk governance and management lies with the Board of Directors. Management recognises that the risk is embedded in all of the Group's activities and for this reason it recognises the need for the continuous identification, assessment, examination, and control of each type of risk. The risk management policies employed by the Group to manage these risks are discussed below:

Market price risk

Market price risk is the possibility that the Group may suffer a loss resulting from the fluctuations in the values of, or income from equity securities classified at fair value through profit or loss and derivative financial instruments. The Group is exposed to market price risk because of investments held by the Group and classified as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

The Group maintains trading securities owned and securities sold but not yet purchased. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit spreads, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

Interest rate risk

Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. BCS Group offers its clients overnight cash sweep programs that are interest rate sensitive. While clients earn interest for balances on deposit under the cash sweep programs, BCS Group earns a fee. These fees are based on prevailing interest rates in the current interest rate environment, but may be adjusted in an increasing or decreasing interest rate environment or for other reasons. Changes in interest rates and fees for the overnight cash sweep programs are monitored by Product and Marketing committee, which governs and approves any changes to fees. The committee balances financial risk of the cash sweep programs with products that offer competitive client yields.

Interest rate risk management through monitoring of the mismatch of the maturities of interest bearing assets and interest-bearing liabilities is supplemented by monitoring the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

Interest-earning assets are financed primarily by brokerage client cash balances and deposits from banking clients. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances and proceeds from stock-lending activities, as well as equity. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, BCS Group may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Group bears credit risk on securities lending activities, its role as a counterparty in financial contracts and investing activities.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Group's Risk Management Committee. The Risk Management Committee is responsible for management of credit risk, including formulating credit policies, covering collateral requirements, adjusting margin requirements for certain securities, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating bands, market liquidity and country (for trading assets), and reviewing compliance of business units with agreed exposure limits. Collateral arrangements relating to margin loans, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. Management regularly reviews asset quality including concentrations, delinquencies, non-accrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses, which is reviewed quarterly by senior management.

BCS Group has exposure to credit risk due to its obligation to settle transactions with clearing corporations, mutual funds, and other financial institutions even if its client or a counterparty fails to meet its obligations to the Group. BCS Group acts as the investment manager for a number of mutual and real estate funds. Although it has no obligation to do so, BCS Group may decide for competitive reasons to provide credit, liquidity or other support to managed funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause BCS Group to take significant charges and could reduce liquidity. If the Group chose not to provide credit, liquidity or other support in such a situation, the Group could suffer reputational damage and its business could be adversely affected.

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Management seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The Group uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis. At the transaction level, an assessment of a borrower's ability to service the proposed level of debt is performed. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques. At the portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) issuer concentration limit, (iii) loan maturity concentration limit, (iv) unsecured lending limit. Meanwhile, the Group should comply with statutory ratios on credit concentration risk.

The analysis by credit quality of financial assets is mainly based on Standard and Poor's rating and other ratings converted to the nearest equivalent to the Standard and Poor's rating scale. Pursuant to the policy on limits, the exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Group defines its risk appetite by approving a policy on limits, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

Liquidity risk

The Group conducts substantially all of its business through the affiliated companies and wholly-owned subsidiaries of the holding company. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. BCS Group maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the business. Generally, the Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Management of BCS Group believes that funds generated by the operations of subsidiaries will continue to be the primary funding source in meeting its liquidity needs, providing adequate liquidity to meet capital guidelines and net capital requirements of its regulated subsidiaries.

The following factors which affect the cash position and cash flows include investment activity in securities, levels of capital expenditures, acquisition and divestiture activity, payments of dividends, and coupon payments. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits and current accounts. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department of BCS Group by means of monitoring daily liquidity positions.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, inter-bank facilities and cash balances, to ensure that sufficient liquidity is maintained within BCS Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

Results

The Group's results for the year are set out on page 13. The net profit for the year attributable to the shareholders of the Group amounted to RR4,939,797,577 (2017: RR5,012,923,727). On 31 December 2018 the total assets of the Group were RR245,079,321,493 (2017: RR298,125,658,203) and the net assets of the Group were RR3,067,839,099 (2017: RR10,690,358,347).

Dividends

During 2018 the Board of Directors approved the payment of an interim dividend out of 2017 profits of RR6,487,500,000 (2017: RR4,621,261,000).

On 15 March 2019 the Board of Directors approved the payment of an interim dividend out of 2018 profits of RR6,500,000,000 (2017: On 16 March 2018 the Board of Directors approved the payment of a dividend out of 2017 profits of RR287,500,000).

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Group's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. Mr. Lambros Soteriou resigned on 25 April 2018 and on the same date Mr. Evgenios Bagiazidis was appointed in his place.

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.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

Operating Environment of the Group

The Cypriot economy has recorded positive growth in 2016 - 2018 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favorable, however there are still downside risks emanating from the still high levels of nonperforming loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

(b) Operating environment in Russia

The Group through its operations has a significant exposure to the economy and the financial markets of the Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The Russian economy was growing in 2018 after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by volatile low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Russian tax legislation

Russian tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 32 to the consolidated financial statements.

Related party transactions

Disclosed in note 28 of the consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

MANAGEMENT REPORT

Independent Auditors

The Independent Auditors, Yiallourides & Partners Ltd, 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,



Evgenios Bagjazidis
Director

Limassol, 25 April 2019

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the consolidated financial statements of BrokerCreditService Structured Products PLC (the "Company") for the year ended 31 December 2018, on the basis of our knowledge, declare that:

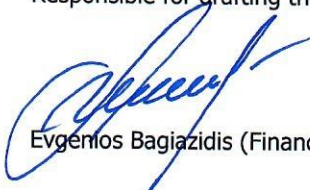
- (a) The annual consolidated financial statements of the Group which are presented on pages 13 to 89:
 - (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and
 - (ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and
- b) The management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Evgenios Bagiazidis

Dimitra Karkalli

Responsible for drafting the financial statements



Evgenios Bagiazidis (Financial Manager)

Limassol, 25 April 2019

Independent Auditor's Report

To the Members of BrokerCreditService Structured Products PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BrokerCreditService Structured Products PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 13 to 89 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Responsibility statement as per regulation (5)(4)(c), but does not include the consolidated financial statements and our auditor's report thereon.

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

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (continued)

To the Members of BrokerCreditService Structured Products PLC

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report (continued)

To the Members of BrokerCreditService Structured Products PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

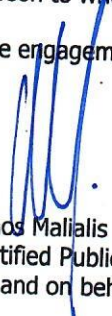
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and 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.

The engagement partner on the audit resulting in this independent auditor's report is Athos Malialis.


Athos Malialis
Certified Public Accountant and Registered Auditor
for and on behalf of

Yiallourides & Partners Ltd
Chartered Accountants

Limassol, 25 April 2019

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 RR	2017 RR
Revenue	8	8,470,091	281,864,414
Dividend income (net of taxes)		290,372,001	635,402,439
Interest income		33,502,023	45,854,104
Loan interest income		2,086,165,860	679,084,519
Net (loss)/gain on trading in financial instruments		(3,573,794,902)	1,114,031,597
Net gain realised on trading in foreign currencies		568,076,026	2,838,912,675
Net fair value gains on financial assets at fair value through profit or loss	21	4,581,474,921	4,970,946,677
Interest income from bonds		4,629,019,001	3,440,703,161
Interest income on reverse repurchase agreements		5,043,003,178	1,716,366,973
Interest expense on bonds		(5,272,082,029)	(2,781,445,479)
Interest expense on loans		-	(4,041,630)
Interest expense on REPO loans		(6,728,065,013)	(3,766,563,982)
Net fair value loss on trading in foreign currencies		(556,598,800)	(2,155,880,200)
Financial result of SWAP operations (OTC)		(115,620,955)	(2,122,719,697)
Staff costs	11	(11,522,414)	(7,689,294)
Depreciation and amortisation expense	17	(54,244)	-
Other operating income	9	43,800,082	-
Change in fair value of derivative financial instruments		6,823,526,277	970,922,336
Net impairment profit/(loss) on financial and contract assets		96,509,396	(223,362,361)
Administration and other expenses		(2,436,833,247)	(1,162,269,957)
Operating profit	10	5,509,347,252	4,470,116,295
Finance income	12	1,881,338,264	1,056,863,378
Finance costs	12	(2,450,885,539)	(514,055,946)
Profit before tax		4,939,799,977	5,012,923,727
Tax	13	(2,400)	-
Net profit for the year		4,939,797,577	5,012,923,727
Other comprehensive income			
<i>Items that will not be classified subsequently to profit or loss:</i>			
Changes in the fair value of equity investments designated at fair value through other comprehensive income		137,683,175	(193,667)
		137,683,175	(193,667)
<i>Items that may be classified subsequently to profit or loss:</i>			
		-	-
Other comprehensive income for the year		137,683,175	(193,667)
Total comprehensive income for the year		5,077,480,752	5,012,730,060

The notes on pages 18 to 89 form an integral part of these consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 December 2018

ASSETS	Note	2018 RR	2017 RR
Non-current assets			
Property, plant and equipment	17	598,610	-
Financial assets at fair value through other comprehensive income	18	650,367,649	512,684,474
Non-current loans receivable	19	2,045,435,848	329,758,110
Loans to associates	28	6,409,808,794	4,705,369,082
Loans to parent	28	1,116,372,646	753,945,497
		<u>10,222,583,547</u>	<u>6,301,757,163</u>
Current assets			
Trade and other receivables	20	137,470,887,590	158,063,641,655
Receivables from associates	28	6,961,092,640	7,844,618,408
Loans receivable	19	1,426,045,789	6,801,815,585
Loans to associates	28	-	1,311,657,538
Loans to parent	28	1,894,218,541	628,579,133
Financial assets at fair value through profit or loss	21	86,997,929,734	117,011,808,921
Refundable taxes	27	1,465	-
Cash at bank and in hand	23	106,562,187	161,779,800
		<u>234,856,737,946</u>	<u>291,823,901,040</u>
Total assets		<u>245,079,321,493</u>	<u>298,125,658,203</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	24	1,886,692	1,886,692
Other reserves		196,615,231	58,932,056
Retained earnings		2,869,337,176	10,629,539,599
Total equity		<u>3,067,839,099</u>	<u>10,690,358,347</u>
Current liabilities			
Trade and other payables	26	168,969,874,942	215,006,734,301
Payables to associates	28	24,946,814,107	14,915,527,284
Directors' current accounts - credit balances	28	1,613	-
Payables to parent	28	6,500,000,000	287,500,000
Borrowings	25	87,407	-
Financial liabilities at fair value through profit or loss	21	41,594,704,325	57,225,538,271
		<u>242,011,482,394</u>	<u>287,435,299,856</u>
Total equity and liabilities		<u>245,079,321,493</u>	<u>298,125,658,203</u>

On 25 April 2019 the Board of Directors of BrokerCreditService Structured Products PLC authorised these consolidated financial statements for issue.

.....
Evgenios Bagiazidis
Director

.....
Dimitra Karkalli
Director

The notes on pages 18 to 89 form an integral part of these consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital RR	Fair value reserve - Financial assets at fair value through other comprehensive income RR	Retained earnings RR	Total RR
Balance at 1 January 2017		1,886,692	59,125,723	10,525,283,512	10,586,295,927
Net profit for the year		-	-	5,012,923,727	5,012,923,727
Other comprehensive income for the year	18	-	(193,667)	-	(193,667)
Dividends	14	-	-	(4,908,761,000)	(4,908,761,000)
Exchange difference		-	-	93,360	93,360
Balance at 31 December 2017/ 1 January 2018		1,886,692	58,932,056	10,629,539,599	10,690,358,347
Net profit for the year		-	-	4,939,797,577	4,939,797,577
Other comprehensive income for the year	18	-	137,683,175	-	137,683,175
Dividends	14	-	-	(12,700,000,000)	(12,700,000,000)
Balance at 31 December 2018		1,886,692	196,615,231	2,869,337,176	3,067,839,099

The notes on pages 18 to 89 form an integral part of these consolidated financial statements.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RR	2017 RR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,939,799,977	5,012,923,727
Adjustments for:			
Depreciation of property, plant and equipment	17	54,244	-
Exchange difference arising on the translation of non-current assets in foreign currencies		(22,544,854,863)	2,034,932,672
Unrealised exchange loss/(profit)		567,370,761	(544,954,572)
Change in fair value of derivative financial instruments		(6,823,526,277)	(970,922,336)
Fair value gains on financial assets at fair value through profit or loss		(4,581,474,921)	(4,970,946,677)
(Reversal of impairment)/impairment charge - cash and cash equivalents	18	(7,486)	8,901
(Reversal of impairment)/impairment charge - amounts receivable		(65,975)	82,475
(Reversal of impairment)/impairment charge - loans receivable	28	(36,960,239)	98,404,827
(Reversal of impairment)/impairment charge - trade receivables	20	(59,475,696)	124,866,158
Dividend income		(290,372,001)	(635,402,439)
Interest income		(2,119,667,883)	(724,938,623)
Interest expense	12	6,012	-
Dividends accrued		(6,500,000,000)	-
		(37,449,174,347)	(575,945,887)
Changes in working capital:			
Decrease in trade and other receivables		20,652,229,761	25,209,610,788
Decrease/(increase) in receivables from related companies		883,525,768	(243,093,977)
Increase in Directors' current accounts		1,613	-
Decrease/(increase) in financial assets at fair value through profit or loss		51,781,432,452	(49,354,783,807)
(Increase)/decrease in derivative financial instruments		(3,161,023,664)	47,794,586,237
Decrease in trade and other payables		(46,036,859,359)	(9,777,495,060)
Increase/(Decrease) in payables to related companies		10,031,286,823	(3,968,689,156)
Increase in payables to parent		6,212,500,000	287,500,000
Cash generated from operations		2,913,919,047	9,371,689,138
Interest received		2,119,667,883	724,938,623
Dividends received		290,372,001	635,402,439
Tax paid		(3,865)	-
Net cash generated from operating activities		5,323,955,066	10,732,030,200
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	17	(652,854)	-
Payment for purchase of available-for-sale financial assets		-	(193,667)
Payment for purchase of financial assets at amortised cost		-	(82,475)
Loans granted		(1,143,600)	(7,191,139,819)
Loans repayments received		1,677,347,166	-
Proceeds from sale of financial assets at amortised cost		65,975	-
Net cash generated from/(used in) investing activities		1,675,616,687	(7,191,415,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange (loss)/profit		(567,370,761)	544,954,572
Interest paid		(6,012)	-
Dividends paid		(6,487,500,000)	(4,908,761,000)

The notes on pages 18 to 89 form an integral part of these consolidated financial statements.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018	2017
	RR	RR
Net cash used in financing activities	<u>(7,054,876,773)</u>	<u>(4,363,806,428)</u>
Net decrease in cash and cash equivalents	(55,305,020)	(823,192,189)
Cash and cash equivalents at beginning of the year	<u>161,779,800</u>	<u>984,971,989</u>
Cash and cash equivalents at end of the year	23 <u>106,474,780</u>	<u>161,779,800</u>

The notes on pages 18 to 89 form an integral part of these consolidated financial statements.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

1. Incorporation and principal activities

Country of incorporation

The Company BrokerCreditService Structured Products PLC (the "Company") was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Agia Zoni 12, AGIA ZONI CENTER, Flat/Office 103, 3027 Limassol, Cyprus.

The Company's original name was Gawling Company Limited. On May 14, 2015, it was renamed into BrokerCreditService Structured Products Plc and converted from a private company into a public company.

Principal activities

BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

BrokerCreditService Structured Products Plc acts as the Group's operational company in Cyprus. In collaboration with other entities which are under common control, it issues structured products and executes various hedging strategies with the purpose of generating margins and minimising risk. Specifically, the Company issues Notes in bearer or registered form (respectively, "Bearer Notes" and "Registered Notes" and, together, the "Notes") under a Euro Medium Term Note Programme, which are to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market (the "Main Securities Market") as well as other and/or further stock exchange(s) or market(s) (including regulated markets). The Company also issues unlisted Notes and/or Notes not admitted to trading on any market.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd, both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. Each of the these wholly owned Subsidiaries is established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license). The companies Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were part of the Group, were transferred to parent company FG BCS on 21 June 2017.

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

2. Basis of preparation

These consolidated 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. As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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 (including derivative financial instruments).

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Basis of preparation (continued)

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 Group'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.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Adoption of new or revised standards and interpretations

During the current year the Group 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 2017. This adoption did not have a material effect on the accounting policies of the Group with the exception of the following:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from contracts with customers"

The company has elected to apply IFRS 9 retrospectively, by adjusting the opening balances as at 31 December 2017, instead 1 January 2018. In that respect, the information presented in the financial statements is fully comparable.

(a) Impact on the consolidated statement of financial position

	Balance at 31 December 2017 as previously presented RR	Reclassi- fications RR	31 December 2017 under IFRS 9 as restated RR	Effect of adoption of IFRS 15 RR	Effect of adoption of IFRS 9 RR	1 January 2018 under IFRS 15 and IFRS 9 RR
Available-for-sale financial assets	512,684,474	(512,684,474)	-	-	-	-
Equity securities at fair value through other comprehensive income	-	512,684,474	512,684,474	-	-	512,684,474
Loans receivable	7,131,573,695	-	7,131,573,695	-	-	7,131,573,695
Financial assets at fair value through profit or loss	117,011,808,921	-	117,011,808,921	-	-	117,011,808,921
Trade receivables	2,978,232,800	-	2,978,232,800	-	-	2,978,232,800
Other receivables	438,580,711	-	438,580,711	-	-	438,580,711
Cash at bank	161,779,800	-	161,779,800	-	-	161,779,800
Trade payables	19,512,708,114	-	19,512,708,114	-	-	19,512,708,114
Other creditors	7,806,816	-	7,806,816	-	-	7,806,816
Retained earnings	15,538,300,598	-	15,538,300,598	-	-	15,538,300,598

The Group has voluntarily changed the presentation of certain amounts in the comparative consolidated statement of financial position as disclosed in the table below to reflect the terminology of IFRS 9.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

	Without ECL 31/12/2017	ECL	Balance 31/12/2017	Without ECL 31/12/2018	ECL (Accumulated)	Balance 31/12/2018
	RR	RR	RR	RR	RR	RR
Loans receivable	14,629,529,771	-98,404,827	14,531,124,944	12,953,326,206	-61,444,588	12,891,881,618
Trade and other receivables	158,187,805,369	-124,912,517	158,062,892,852	137,534,038,695	-63,590,297	137,470,448,398
Receivables from related parties	7,844,654,524	-36,116	7,844,618,408	6,962,909,303	-1,816,663	6,961,092,640
Cash and cash equivalents	161,788,701	-8,901	161,779,800	106,563,602	-1,415	106,562,187
Total	180,823,778,365	-223,362,361	180,600,416,004	157,556,837,806	-126,852,963	157,429,984,843

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Group has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Group's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Group has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Group for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Group, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Group was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Group revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months and loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk.

The Group has the following types of assets that are subject to IFRS 9's new expected credit loss model: trade receivables, financial assets at amortised cost and cash and cash equivalents.

The Group has adopted the the general expected credit loss model for financial assets at amortised cost, cash and cash equivalents and trade receivables.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The following table reconciles the carrying amounts of financial instruments, from their previous measurement categories in accordance with IAS 39 into their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Measurement category		Adjusted amount per IFRS 9 (closing balance at 31 December 2017) RR	Effect of IFRS 9				Carrying value per IFRS 9 (opening balance at 1 January 2018) RR
	IAS 39	IFRS 9		Re- measurement ECL RR	Re- measurement Other RR	Reclassifi- cation Mandatory RR	Reclassifi- cation Voluntary RR	
Unlisted equity securities	AFS (available-for-sale)	FVOCI (designated)	512,684,474	-	-	-	-	512,684,474
Trade receivables	L&R (loans and receivables)	AC (amortised cost)	2,978,232,800	-	-	-	-	2,978,232,800
Financial assets at amortised cost	AC	AC	154,646,079,341	-	-	-	-	154,646,079,341
Other receivables	L&R	AC	438,580,711	-	-	-	-	438,580,711
Loans receivable	L&R	AC	7,131,573,695	-	-	-	-	7,131,573,695
Loans to associates	L&R	AC	6,017,026,620	-	-	-	-	6,017,026,620
Loans to parent	L&R	AC	1,382,524,630	-	-	-	-	1,382,524,630
Cash and cash equivalents	L&R	AC	161,779,800	-	-	-	-	161,779,800
Receivables from associates	L&R	AC	7,844,618,408	-	-	-	-	7,844,618,408
Trade receivables on REPO	L&R	AC	154,646,079,341	-	-	-	-	154,646,079,341
Payables to associates	AC	AC	14,915,527,284	-	-	-	-	14,915,527,284
Trade and other payables	AC	AC	19,512,708,114	-	-	-	-	19,512,708,114
Trade payables on REPO	AC	AC	195,481,451,737	-	-	-	-	195,481,451,737

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

- *Investments in equity securities previously classified as available-for-sale (AFS):*

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RR - were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RR - were reclassified from the available-for-sale financial assets reserve to the financial assets at FVOCI reserve on 1 January 2018.

- *Investments in equity securities previously classified as financial assets at FVTPL:*

Equity securities - held for trading are required to be held as FVTPL under IFRS 9. As a result there was no impact on the amounts recognised in relation to the investments in equity securities held for trading that were previously classified as financial assets at FVTPL from the adoption of IFRS 9. Under IAS 39 equity securities designated as at fair value through profit or loss at inception were those that were managed and their performance was evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets was provided internally on a fair value basis to the Group's key management personnel. Under IFRS 9 investments in equity instruments are always measured at fair value, so as a result there was no impact from the adoption of IFRS 9 and other equity securities other than those held for trading were classified as financial assets at FVTPL.

- *Other financial instruments:*

For all other financial assets Management assessed that the Group's business model for managing the assets is "hold to collect" and these assets meet SPPI tests. As a result all other financial assets were classified as financial assets at amortised cost and reclassified from the category "loans and receivables" under IAS 39, which was "retired". Previously under IAS 39 these financial assets were also measured at amortised cost. Thus there were no impact of adoption of IFRS 9 as of 1 January 2018.

At 31 December 2017, all of the Group's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Group's financial liabilities continued to be classified at amortised cost.

The assessment of the impact of adoption of IFRS 9 on the Group's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on Management's conclusion are disclosed in note 7.

Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018. The Group elected to adjust the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 31 December 2017 instead of 1 January 2018:

	Effect				
	Provision under IFRS 9 at 31 December 2017	Reclassi- fication to FVTPL	Reclassi- fication to FVOCI	Remeasu- rement from incurred to expected loss	Effect of adoption of IFRS 9 1 January 2018
	RR	RR	RR	RR	RR
Loans receivable	7,131,573,695	-	-	-	7,131,573,695
Loans to associates	6,017,026,620	-	-	-	6,017,026,620
Loans to parent	1,382,524,630	-	-	-	1,382,524,630
Trade receivables	2,978,232,800	-	-	-	2,978,232,800
Trade receivables on REPO	154,646,079,341	-	-	-	154,646,079,341
Receivables from associates	7,844,618,408	-	-	-	7,844,618,408
Cash at bank	161,779,800	-	-	-	161,779,800

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The impact of these changes on the Group's equity is as follows:

	Effect of AFS reserve RR	Effect on FVOCI reserve RR	Effect on retained earnings RR	Total RR
Reclassification of non-trading equities from AFS to FVOCI	<u>(58,932,056)</u>	<u>58,932,056</u>	-	-
Total impact	<u>(58,932,056)</u>	<u>58,932,056</u>	-	-
At 1 January 2018 - IFRS 9	<u>(58,932,056)</u>	<u>58,932,056</u>	-	-

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 31.

Basis of consolidation

Subsidiaries are companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is actually transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company BrokerCreditService Structured Products Plc and the financial statements of the following subsidiaries - Routa Luxury Services Ltd and Botimelo Group Ltd. Also the results of the following subsidiaries are included up to 21 June 2017 which is the date of disposal: Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Group 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 Group 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 recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group 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 Group 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 Group's future cash flows is expected to change as a result of the contract), it is probable that the Group 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 Group's contracts with customers.

The Group 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 Group 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 consolidated statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Group 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 Group'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 Group 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.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Income from investments in securities (continued)**

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2018 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 financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) are recognised in equity. When financial assets at fair value through other comprehensive income (2017: 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 and fee income**

Commissions and fees from brokerage activities which are earned on the execution of the underlying transaction are recorded on its completion, being the trade date of the transaction. All other commissions and fees from brokerage activities are recognised based on the applicable service contracts, usually on a time-proportionate basis.

- **Interest income and expense**

Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

- **Dividend income**

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

- **Financing component**

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Contract assets and contract liabilities**

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

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 Group, and a failure to make contractual payments for a period of greater than 180 days past due.

- **Costs to obtain or fulfil contracts with customers**

The Group recognizes the incremental costs incurred by the Group to obtain contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset if those costs are expected to be recoverable, and record the in "Other assets" in consolidated statement of financial position. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with customer that would not have been incurred if the contract had not been obtained. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue and recognised in "cost of sales" in consolidated statement of comprehensive income. Additionally the asset is assessed for impairment and any impairment loss is recognized in "cost of sales" in consolidated statement of comprehensive income.

The Group recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Group'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 Russian Rubles (RR), which is the Group'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

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Tax (continued)

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Interim dividends are recognised in equity in the year in which they are approved by the Group's Directors. Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group'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:

	%
Computer Hardware - cost	33

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 Group. Major renovations are depreciated over the remaining useful life of the related asset.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

Intangible assets

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as pledged securities. The corresponding liability is presented within borrowings.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as loans receivable. The difference between the sale and repurchase price is treated as interest income or interest expense and accrued over the life of reverse repo agreements and repo agreements respectively, using the effective interest method.

Securities lending

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties in which case an obligation to return the securities is recorded at fair value and any fluctuations of the fair value are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in financial liabilities at fair value through profit or loss.

The fixed fee is treated as interest income or interest expense and is accrued over the life of the securities lending agreement.

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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets - Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - Classification (continued)

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - Measurement (continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

For all other financial asset that are subject to impairment under IFRS 9, the Group applies general approach - three stage model for impairment. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument 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 Group 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"). Refer to note 6, Credit risk section, for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Group determines low credit risk financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - modification (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial liabilities designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. They include obligations to deliver financial assets borrowed by a short seller.

Gains or losses arising from changes in the fair value of the "financial liabilities at fair value through profit or loss" category are presented in statement of comprehensive income in the period in which they arise. Coupon interest on financial liabilities at fair value through profit or loss is recognised in profit or loss within "net gains/(losses) on financial instruments at fair value through profit or loss".

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Credit related commitments

The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. Loan commitments provided by the Group are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at:

- (i) the remaining unamortised balance of the amount at initial recognition, plus
- (ii) the amount of the loss allowance determined based on the expected credit loss model.

If the loan commitments are provided at a below-market interest rate, they are measured at the higher of:

- (i) the amount of the loss allowance determined based on the expected loss model and
- (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

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.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Derivatives and hedge accounting

Derivative financial instruments which include Option Contracts, Forward Contracts, Credit Default Swaps and Contracts for Differences on metals, shares, commodities and foreign exchange forward contracts are initially recognised in the statement of financial position at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are determined by reference to third party market values. Derivative financial instruments are recognised in the balance sheet as assets when fair value is positive and as liabilities when fair value is negative. Derivative financial instruments form part of the Group's operating activities. Gains or losses arising from changes in the fair value of derivative financial instruments are presented in profit or loss in the period in which they arise. The Group does not apply hedge accounting.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

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 Group 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 Group 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 Group, 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.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

5. New accounting pronouncements

The following new standards, amendments to standards, and interpretations are not yet effective as at 31 December 2018, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

IFRS 16 Leases

IFRS 16 Leases replaces the existing lease accounting guidance in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted. The Group does not intend to adopt this standard early. This standard is not applicable to the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

5. New accounting pronouncements (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these amendments to IFRS 9.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

5. New accounting pronouncements (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. This standard is not applicable to the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. This standard is not applicable to the Group.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

5. New accounting pronouncements (continued)

These improvements include:

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

This standard is not applicable to the Group.

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk arising from the financial instruments it holds. The primary objectives of the financial risk management function are to establish risk limits and then to ensure that exposure to risks stays within these limits. The Group's risk management function is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date administrative and information systems. The Group regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice. The current structure of the risk framework implemented by the Group aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Group's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Group to achieve overall objectives.

The responsibility for the overall framework of risk governance and management lies with the Board of Directors.

Management recognises that the risk is embedded in all of the Group's activities and for this reason it recognises the need for the continuous identification, assessment, examination, and control of each type of risk. The risk management policies employed by the Group to manage these risks are discussed below:

6.1 Market price risk

Market price risk is the possibility that the Group may suffer a loss resulting from the fluctuations in the values of, or income from equity securities classified at fair value through profit or loss and derivative financial instruments. The Group is exposed to market price risk because of investments held by the Group and classified as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

The Group maintains trading securities owned and securities sold but not yet purchased in order to facilitate client transactions and to meet a portion of clearing deposit requirements at various clearing organizations. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit spreads, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Activities to facilitate client and proprietary transactions are monitored by the broker dealer support services department. The level of securities deposited is monitored by the settlement area within broker dealer support services department.

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

Sensitivity analysis

The table below summarizes the impact on the Group's pre-tax profit and on own portfolio market value assuming that the prices of securities held by the Company had increased/decreased by 10% (2015 :10%) with all other variables held constant:

Year-end market value of Company's portfolio:

	2018	FA at FVTPL	2018	FL at FVTPL
	RR	2017	RR	2017
		RR		RR
Equity securities - Moscow Stock Exchange	1,889,952,327	2,895,304,185	-	139,708,135
Equity Securities - New York Stock Exchange (NYSE)	35,594,440,351	24,942,335,382	-	70,239,376

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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Year ended 31 December 2018

6. Financial risk management (continued)

6.1 Market price risk (continued)

Equity securities - Switzerland Composite (SW)	15,843,154	-	-	-
Equity securities - Germany Composite (GR)	321,734,255	-	-	-
Equity securities - US Composite (US)	8,601,756	-	-	-
Unlisted securities	6,682,250,643	6,792,813,625	-	-
Debt securities - bonds	42,485,107,248	82,381,355,730	9,015,119,037	14,548,481,365
Bonds' issue	-	-	32,579,585,288	42,467,109,395
	86,997,929,734	117,011,808,922	41,594,704,325	57,225,538,271

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Board of Directors.

6.2 Interest rate risk

Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. The Group offers its clients overnight cash sweep programs that are interest rate sensitive. While clients earn interest for balances on deposit under the cash sweep programs, the Group earns a fee. These fees are based on prevailing interest rates in the current interest rate environment, but may be adjusted in an increasing or decreasing interest rate environment or for other reasons. Changes in interest rates and fees for the overnight cash sweep programs are monitored by fee and rate setting committee (the FRS committee), which governs and approves any changes to fees. The FRS committee balances financial risk of the cash sweep programs with products that offer competitive client yields.

Interest rate risk management through monitoring of the mismatch of the maturities of interest bearing assets and interest bearing liabilities is supplemented by monitoring the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

Interest-earning assets are financed primarily by brokerage client cash balances and deposits from banking clients. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances and proceeds from stock-lending activities, as well as equity. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Group may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2018	2017
	RR	RR
Fixed rate instruments		
Financial assets	12,891,881,618	14,531,124,944
Financial assets (reverse REPO)	128,614,838,208	154,210,919,522
Financial liabilities	32,013,649,034	30,871,996,750
Financial liabilities (direct REPO)	147,093,735,814	188,513,244,107
Variable rate instruments		
Financial liabilities	565,936,254	11,595,112,644

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms.

(i) Risk management

The Board of Directors has delegated responsibility for the oversight of credit risk to Risk Management Committee. The Risk Management Committee is responsible for management of credit risk, including formulating credit policies, covering collateral requirements, adjusting margin requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating bands, market liquidity and country (for trading assets), and reviewing compliance of business units with agreed exposure limits. Collateral arrangements relating to resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. The credit risk exposure related to loans is actively managed through individual reviews performed by management. Management regularly reviews asset quality including concentrations, delinquencies, nonaccrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate inputs, assumptions and techniques used for estimating impairment losses, which is reviewed quarterly by senior management.

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Management seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The analysis by credit quality of financial assets is mainly based on Standard and Poor's rating and other ratings converted to the nearest equivalent to the Standard and Poor's rating scale. Pursuant to the policy on limits, the exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Group defines its risk appetite by approving a policy on limits, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	RR	RR
Loans receivable	3,471,481,637	7,131,573,695
Loans to associates	4,404,291,935	6,017,026,620
Loans to parent	3,016,108,046	1,382,524,630
Trade and other receivables	1,527,033,697	3,416,813,511
Trade receivables on REPO	135,943,853,893	154,646,079,341
Cash at bank	106,562,187	161,779,800
Receivables from associates	6,961,092,640	7,844,618,408
Deferred expenses	-	748,803
	157,430,425,500	180,601,164,807

(ii) Impairment of financial assets

The policy below represents information about the Group's inputs, assumptions and techniques used for estimating impairment.

Significant increase in credit risk

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections	• Payment record – this includes overdue status as well as a range of variables about payment ratios
• Data from credit reference agencies, press articles, changes in external credit ratings	• Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth, oil price index and retail price index.

The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than one notch basis points per annum since initial recognition. In measuring increases in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, more than 1 day past due for transactions with financial institutions or emitent of securities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime EC measurements (stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group and 3 days past due for transactions with financial institutions or eminent of securities. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such as the CBR, the World bank, Ministry of Economic Development, and individual and academic forecasters.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver for the Russian Federation is GDP forecasts, oil price index, retail price index. This key driver for the countries where the group operates is GDP forecasts.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 2013 to 2018 years.

Measurement of ECL

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Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

(iii) Net impairment losses on financial and contract assets recognized in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2018	2017
	RR	RR
Impairment losses		
Impairment charge - cash and cash equivalents	-	(8,901)
Impairment charge - amounts receivable	-	(82,475)
Impairment charge - loans receivable	(2,510,354)	(98,404,827)
Impairment charge - trade receivables	(56,669,667)	(124,866,158)
Reversal of impairment - cash and cash equivalents	7,486	-
Reversal of impairment - amounts receivable	65,975	-
Reversal of impairment - loans receivable	39,470,593	-
Reversal of impairment - trade receivables	116,145,363	-
Net impairment profit/(loss) on financial and contract assets	96,509,396	(223,362,361)

(iv) 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 Group 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 Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Group 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.

6.4 Liquidity risk

The Group conducts substantially all of its business through its wholly-owned subsidiaries. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. The Group maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the business. Generally, the Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Liquidity needs relating to client trading and margin borrowing activities are met primarily through cash balances in client brokerage accounts. Management believes that funds generated by the operations of subsidiaries will continue to be the primary funding source in meeting its liquidity needs, providing adequate liquidity to meet capital guidelines and net capital requirements of its regulated subsidiaries.

The cash position and cash flows are affected by changes in brokerage client cash balances and the associated amounts required to be segregated under regulatory guidelines. Timing differences between cash and investments actually segregated on a given date and the amount required to be segregated for that date may arise in the ordinary course of business and are addressed by the Group in accordance with applicable regulations. Other factors which affect the cash position and cash flows include investment activity in securities, levels of capital expenditures, acquisition and divestiture activity, banking client deposit activity, brokerage and banking client loan activity, payments of dividends, and repurchases and issuances of shares. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department by means of monitoring daily liquidity positions.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, inter-bank facilities and cash balances, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The following tables detail the Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2018	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
	RR	RR	RR	RR	RR	RR
Accruals	6,633,355	6,633,355	3,991,293	2,642,062	-	-
Other creditors	198,970,470	198,970,470	198,970,470	-	-	-
Director's current accounts - credit balances	1,613	1,613	1,613	-	-	-
Payables to parent	6,500,000,000	6,500,000,000	6,500,000,000	-	-	-
Bank overdrafts	87,407	87,407	-	-	87,407	-
Trade and other payables	18,659,654	18,659,654	18,063,897	595,757	-	-
Trade payables on REPO	154,732,097,719	154,732,097,719	66,659,202,957	87,220,490,500	852,404,262	-
Payables to related parties	23,072,161,225	23,072,161,225	1,249,487,433	20,267,826,414	1,554,847,378	-
Social insurance and other taxes	221,433	221,433	221,433	-	-	-
VAT	522,006	522,006	522,006	-	-	-
Bonds' issue	32,579,585,288	32,579,585,288	-	1,215,966,929	13,770,528,320	17,593,090,039
SWAPs (OTC)	1,881,223,689	1,881,223,689	319,805,503	1,554,847,379	6,570,807	-
Forward contracts	14,006,199,502	14,006,199,502	439,637,012	1,770,942,869	11,795,619,621	-
	232,996,363,361	232,996,363,361	75,389,903,617	12,033,311,910	7,980,057,795	7,593,090,039

31 December 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
	RR	RR	RR	RR	RR	RR
Accruals	4,525,310	4,525,310	2,886,280	1,639,030	-	-
Payables to parent	287,500,000	287,500,000	287,500,000	-	-	-
Trade and other payables	195,489,499,590	195,489,499,590	151,977,506,382	43,491,736,357	20,256,851	-
Payables to related parties	14,324,643,917	14,324,643,917	420,749,775	13,903,894,142	-	-
Bonds' issue	42,467,109,395	42,467,109,395	-	1,200,857,918	5,946,907,141	35,319,344,336
SWAPs (OTC)	590,883,367	590,883,367	-	-	590,883,367	-
Forward contracts	19,512,708,114	19,512,708,114	417,777,164	3,092,248,924	15,826,350,870	176,331,156
Futures	1,291	1,291	1,291	-	-	-
	272,676,870,984	272,676,870,984	153,106,420,892	61,690,376,371	22,384,398,229	35,495,675,492

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.5 Currency risk

Currency risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity. Foreign currency risk is managed at the Group level by monitoring limits daily on the level of exposure by each currency. Management has a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury. Nevertheless, the Group does not qualify for hedge accounting in accordance with IAS 39. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. This is generally achieved by obtaining financing in the relevant currency and by entering into forward foreign exchange contracts. The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the US Dollar and the Euro. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Borrowings and lending are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

	Liabilities		Assets	
	2018	2017	2018	2017
	RR	RR	RR	RR
United States Dollars	157,045,874,641	194,156,589,786	161,463,371,234	177,233,498,559
Euro	13,798,185,709	1,836,651,645	18,380,695,190	16,409,991,574
British Pounds	99,825,552	147,240,881	145,993,742	216,365,076
Russian Roubles	71,067,596,492	91,290,071,642	64,133,377,143	102,695,977,902
Swiss Franc	-	-	894,480,378	1,513,130,937
Hong Kong Dollar	-	4,745,904	47,334,343	45,482,302
Australian Dollar	-	-	4,221,199	4,597,329
Japanese Yen	-	-	4,945,880	2,552,843
Other currencies	-	-	4,902,384	4,061,679
	<u>242,011,482,394</u>	<u>287,435,299,858</u>	<u>245,079,321,493</u>	<u>298,125,658,201</u>

Sensitivity analysis

A fluctuation of the United States Dollar or the Euro against the Russian Rouble at the reporting date as disclosed below would have an equal and opposite impact on the profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	Change in currency rate		Effect on pre-tax profit	
	2018	2017	2018	2017
	%	%	RR	RR
United States Dollars	20	(5)	91,309,062,586	3,007,444,647
Euro	15	10	10,870,742,127	883,949,905
British Pounds	13	5	164,885,049	5,114,065

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.6 Capital risk management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by senior management.

6.7 Fair value estimation

Fair value measurements recognised in consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Management applies judgement in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety. The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018 and 31 December 2017:

31 December 2018	Level 1 RR	Level 2 RR	Level 3 RR	Total RR
Financial assets				
Financial assets at fair value through profit or loss	80,242,200,425	6,755,729,310	-	86,997,929,735
Derivative financial assets	-	1,924,103,099	-	1,924,103,099
Total	80,242,200,425	8,679,832,409	-	88,922,032,834
Financial liabilities				
Financial liabilities at fair value through profit or loss	9,015,119,036	-	-	9,015,119,036
Derivative financial liabilities	-	15,887,423,191	-	15,887,423,191
Bonds' issue	-	32,579,585,288	-	32,579,585,288
Total	9,015,119,036	48,467,008,479	-	57,482,127,515

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Year ended 31 December 2018

6. Financial risk management (continued)

31 December 2017	Level 1 RR	Level 2 RR	Level 3 RR	Total RR
Financial assets				
Financial assets at fair value through profit or loss	110,193,135,382	6,818,673,539	-	117,011,808,921
Derivative financial assets	<u>748,802</u>	<u>-</u>	<u>-</u>	<u>748,802</u>
Total	<u>110,193,884,184</u>	<u>6,818,673,539</u>	<u>-</u>	<u>117,012,557,723</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	57,225,538,271	-	-	57,225,538,271
Derivative financial liabilities	1,291	20,103,591,482	-	20,103,592,773
Bonds' issue	-	<u>42,467,109,395</u>	<u>-</u>	<u>42,467,109,395</u>
Total	<u>57,225,539,562</u>	<u>62,570,700,877</u>	<u>-</u>	<u>119,796,240,439</u>

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair values of financial assets and financial liabilities are determined as follows. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise listed equity securities.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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6. Financial risk management (continued)

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

6.8 Offsetting financial assets and liabilities

31 December 2018	(A) Gross amounts of recognised financial assets	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/(liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	RR	RR	RR	RR	RR
Forward contracts	-	14,006,199,502	(14,006,199,502)	-	(14,006,199,502)
Futures	-	-	-	-	-
SWAPs	1,924,103,100	1,881,223,689	42,879,411	-	42,879,411
Options	-	-	-	-	-
REPO (reverse)	128,614,838,208	-	128,614,838,208	-	128,614,838,208
REPO (direct)	-	147,093,735,814	(146,093,735,814)	-	(146,093,735,814)
Shares	44,512,822,486	-	44,512,822,486	-	44,512,822,486
Bonds	42,485,107,248	9,015,119,036	33,469,988,212	-	33,469,988,212
Receivables	13,893,040,387	-	13,893,040,387	-	13,893,040,387
Payables	-	37,435,619,065	(37,435,619,065)	-	(37,435,619,065)
Loans	12,891,881,618	-	12,891,881,618	-	12,891,881,618
Bonds issue	-	32,579,585,288	(32,579,585,288)	-	(32,579,585,288)
Total:	244,321,793,048	242,011,482,396	2,310,310,652	-	2,310,310,652

31 December 2017	(A) Gross amounts of recognised financial assets	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/(liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	RR	RR	RR	RR	RR
Forward contracts	-	19,512,708,115	(19,512,708,115)	-	(19,512,708,115)
Futures	748,803	1,291	747,512	-	747,512
SWAPs	-	590,883,367	(590,883,367)	-	(590,883,367)
REPO (reverse)	154,210,919,522	-	154,210,919,522	-	154,210,919,522
REPO (direct)	-	188,513,244,107	(188,513,244,107)	-	(188,513,244,107)
Shares	35,143,137,665	209,947,512	34,933,190,153	-	34,933,190,153
Bonds	82,381,355,730	14,548,481,365	67,832,874,365	-	67,832,874,365
Receivables	11,696,591,738	-	11,696,591,738	-	11,696,591,738
Payables	-	21,592,924,710	(21,592,924,710)	-	(21,592,924,710)
Loans	14,531,124,944	-	14,531,124,944	-	14,531,124,944
Bonds issue	-	42,467,109,394	(42,467,109,394)	-	(42,467,109,394)
Total:	297,963,878,402	287,435,299,861	10,528,578,541	-	10,528,578,541

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Year ended 31 December 2018

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 Group'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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

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:

- **Going concern basis**

The Directors judge that it is appropriate to prepare the consolidated financial statements on the going concern basis.

- **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 Group 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 Group 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 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 Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

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Year ended 31 December 2018

7. Critical accounting estimates and judgments (continued)

• Initial recognition of related party transactions

In the normal course of business, the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Receivables from/ payable to related parties are stated at their transacted values as they are on demand. Management believes that their fair value is not materially different from their transacted values.

• Information about judgements made in applying classification of financial instruments policy and credit risk policy is included in the following notes:

- Classification of financial assets. The Group Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. – Note 4

- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 6.3

8. Revenue

	2018 RR	2017 RR
Rendering of services	6,801,271	117,347,434
Commissions receivable	-	1,318,183
Profit from corporate actions	1,668,820	-
Profit from sale of investments in subsidiaries	-	163,198,797
	<u>8,470,091</u>	<u>281,864,414</u>

9. Other operating income

	2018 RR	2017 RR
Upfront fee on loans receivable	43,800,082	-
	<u>43,800,082</u>	<u>-</u>

10. Operating profit

	2018 RR	2017 RR
Operating profit is stated after charging the following items:		
Directors' fees	135,990	191,154
Staff costs including Directors in their executive capacity (Note 11)	11,522,414	7,689,294
Auditors' remuneration - current year	6,634,017	5,314,116
Auditors' remuneration - prior years	25,183,180	-
	<u>25,183,180</u>	<u>-</u>

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Year ended 31 December 2018

11. Staff costs

	2018 RR	2017 RR
Salaries	10,670,366	7,262,426
Social security costs	852,048	426,868
	<u>11,522,414</u>	<u>7,689,294</u>

12. Finance income/(costs)

	2018 RR	2017 RR
Exchange profit	1,881,338,264	1,056,863,378
Finance income	<u>1,881,338,264</u>	<u>1,056,863,378</u>
Net foreign exchange losses	(2,448,709,025)	(511,893,055)
Interest expense	(6,012)	-
Sundry finance expenses	(2,170,502)	(2,162,891)
Finance costs	<u>(2,450,885,539)</u>	<u>(514,055,946)</u>
Net finance (costs)/income	<u>(569,547,275)</u>	<u>542,807,432</u>

13. Tax

	2018 RR	2017 RR
Overseas tax	2,400	-
Charge for the year	<u>2,400</u>	<u>-</u>

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

	2018 RR	2017 RR
Profit before tax	4,939,799,977	5,012,923,727
Tax calculated at the applicable tax rates	617,474,997	626,615,466
Tax effect of allowances and income not subject to tax	(1,484,439,121)	(971,818,422)
Tax effect of tax loss for the year	866,964,124	345,202,956
Overseas tax in excess of credit claim used during the year	2,400	-
Tax charge	<u>2,400</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.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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Year ended 31 December 2018

14. Dividends

	2018	2017
	RR	RR
Interim dividend declared	<u>12,700,000,000</u>	4,908,761,000
	<u>12,700,000,000</u>	<u>4,908,761,000</u>

During 2018 the Board of Directors approved the payment of an interim dividend out of 2017 profits of RR6,487,500,000 (2017: RR4,621,261,000).

On 15 March 2019, the Board of Directors approved the payment of an interim dividend out of 2018 profits of RR6,500,000,000 (2017: On 16 March 2018 the Board of Directors approved the payment of a dividend out of 2017 profits of RR287,500,000).

The Board of Directors recommended the payment of an additional dividend out of 2018 profits however the amount will be decided at the next Annual General Meeting.

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

15. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2018

	Financial assets at fair value through other comprehensive income RR	Fair value through profit or loss RR	Financial assets at amortised cost RR	Total RR
Assets as per consolidated statement of financial position:				
Trade and other receivables	-	-	142,507,878,595	142,507,878,595
Loans granted	-	-	12,891,881,618	12,891,881,618
Cash and cash equivalents	-	-	106,562,187	106,562,187
Derivative financial assets	-	1,924,103,099	-	1,924,103,099
Financial assets at fair value through profit or loss	-	86,997,929,735	-	86,997,929,735
Financial assets at fair value through other comprehensive income	650,367,649	-	-	650,367,649
Total	<u>650,367,649</u>	<u>88,922,032,834</u>	<u>155,506,322,400</u>	<u>245,078,722,883</u>

	Borrowings and other financial liabilities RR	Total RR
Liabilities as per consolidated statement of financial position:		
Trade and other payables	184,529,354,878	184,529,354,878
Derivative financial liabilities	15,887,423,191	15,887,423,191
Financial liabilities at fair value through profit or loss	9,015,119,037	9,015,119,037
Bonds' issue	32,579,585,288	32,579,585,288
Total	<u>242,011,482,394</u>	<u>242,011,482,394</u>

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Year ended 31 December 2018

15. Financial instruments by category as at 31 December 2017: (continued)

31 December 2017	Financial assets at fair value through other comprehensive income RR	Fair value through profit or loss RR	Financial assets at amortised cost RR	Total RR
Assets as per consolidated statement of financial position:				
Trade and other receivables	-	-	165,907,511,260	165,907,511,260
Loans granted	-	-	14,531,124,944	14,531,124,944
Derivative financial assets	-	748,803	-	748,803
Cash and cash equivalents	-	-	161,779,800	161,779,800
Financial assets at fair value through profit or loss	-	117,011,808,921	-	117,011,808,921
Financial assets at fair value through other comprehensive income	512,684,474	-	-	512,684,474
Total	512,684,474	117,012,557,724	180,600,416,004	298,125,658,202

	Borrowings and other financial liabilities RR	Total RR
Liabilities as per consolidated statement of financial position:		
Trade and other payables	210,106,168,814	210,106,168,814
Derivative financial liabilities	20,103,592,773	20,103,592,773
Financial liabilities at fair value through profit or loss	14,758,428,876	14,758,428,876
Bonds' issue	42,467,109,395	42,467,109,395
Total	287,435,299,858	287,435,299,858

16. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2018 RR	2017 RR
Fully performing trade receivables		
Counterparties without external credit rating		
Group 1	1,527,035,162	22,598,541
Group 2	6,961,092,640	7,785,557,983
Group 3	135,943,853,893	158,100,103,539
Total fully performing trade receivables	144,431,981,695	165,908,260,063
Fully performing loans receivable		
Group 1	3,081,353,373	7,131,573,695
Group 2	9,420,399,981	6,832,122,788
Group 3	390,128,264	567,428,461
Total fully performing loans receivable	12,891,881,618	14,531,124,944

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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Year ended 31 December 2018

16 Credit quality of financial assets (continued)

	2018 RR	2017 RR
Cash at bank and short term bank deposits		
Caa1	5,818,180	6,459,482
Not rated - Internally assessed as adequately stable	<u>100,744,007</u>	<u>155,320,318</u>
	<u>106,562,187</u>	<u>161,779,800</u>

Group 1 - customers with no history of default.

Group 2 - companies within the group, common control companies and associates with no defaults in the past.

Group 3 - brokers with no history of default.

None of the financial assets that are fully performing has been renegotiated.

17. Property, plant and equipment

	Computer Hardware - cost RR
Cost	
Additions	<u>652,854</u>
Balance at 31 December 2018	<u>652,854</u>
Depreciation	
Charge for the year	<u>54,244</u>
Balance at 31 December 2018	<u>54,244</u>
Net book amount	
Balance at 31 December 2018	<u><u>598,610</u></u>
Balance at 31 December 2017	<u><u>-</u></u>

18. Financial assets at fair value through other comprehensive income

	2018 RR	2017 RR
Balance at 1 January	512,684,474	512,878,141
Revaluation difference transferred to equity	<u>137,683,175</u>	<u>(193,667)</u>
	<u>650,367,649</u>	<u>512,684,474</u>

(i) Disposal of equity investments

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In the prior financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

Notes 3 and 4 explain the change of accounting policy and the reclassification of certain equity investments from available-for-sale to at fair value through other comprehensive income.

(ii) Disposal of debt investments

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Year ended 31 December 2018

18. Financial assets at fair value through other comprehensive income (continued)

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

19. Non-current loans receivable

	2018 RR	2017 RR
Loans receivable	<u>3,471,481,637</u>	<u>7,131,573,695</u>
Less current portion	<u>(1,426,045,789)</u>	<u>(6,801,815,585)</u>
Non-current portion	<u>2,045,435,848</u>	<u>329,758,110</u>

The loans are repayable as follows:

	2018 RR	2017 RR
Within one year	<u>1,426,045,789</u>	<u>6,801,815,585</u>
Between one and five years	<u>2,045,435,848</u>	<u>329,758,110</u>
	<u>3,471,481,637</u>	<u>7,131,573,695</u>

The exposure of the Group to credit risk in relation to loans receivable is reported in note 6 of the consolidated financial statements.

The effective interest rates on receivables (current and non-current) were as follows:

	2018	2017
Loans receivable	0.05% - 13.75%	0.9% - 13%

20. Trade and other receivables

	2018 RR	2017 RR
Trade receivables	<u>1,526,594,506</u>	<u>2,978,232,800</u>
Trade receivables on REPO	<u>135,943,853,893</u>	<u>154,646,079,341</u>
Deposits and prepayments	<u>439,191</u>	<u>-</u>
Deferred expenses (see note 22)	<u>-</u>	<u>748,803</u>
Other receivables	<u>-</u>	<u>438,580,711</u>
	<u>137,470,887,590</u>	<u>158,063,641,655</u>

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

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

21. Financial instruments at fair value through profit or loss

	2018 RR	2017 RR
Financial assets	2018 RR	2017 RR
Balance at 1 January	<u>117,011,808,921</u>	<u>65,585,991,486</u>
Additions	<u>683,668,585,574</u>	<u>755,679,990,434</u>
Disposals	<u>(735,450,018,026)</u>	<u>(706,325,206,627)</u>
Change in fair value	<u>(4,331,171,130)</u>	<u>4,105,966,300</u>
Exchange differences	<u>26,098,724,395</u>	<u>(2,034,932,672)</u>
Balance at 31 December	<u>86,997,929,734</u>	<u>117,011,808,921</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

Financial liabilities	2018	2017
	RR	RR
Balance at 1 January	57,225,538,271	10,401,874,370
Additions	226,261,042,161	322,841,237,184
Disposals	(236,245,592,102)	(268,906,370,583)
Change in fair value	(8,912,646,050)	(1,077,173,934)
Exchange differences	3,266,362,045	(6,034,028,766)
Balance at 31 December	<u>41,594,704,325</u>	<u>57,225,538,271</u>

Financial assets designated as at fair value through profit or loss are analysed as follows:

	2018	2017
	RR	RR
Financial assets at fair value through profit or loss		
Equity securities - Moscow Stock Exchange	1,889,952,327	2,895,304,185
Equity Securities - New York Stock Exchange (NYSE)	35,594,440,352	24,942,335,382
Equity securities - SW (Switzerland Composite)	15,843,154	-
Equity securities - GR (Germany Composite)	321,734,255	-
Equity securities - US (Composite US)	8,601,756	-
Unlisted securities	6,682,250,643	6,792,813,625
Debt securities - Bonds	42,485,107,248	82,381,355,730
	<u>86,997,929,735</u>	<u>117,011,808,922</u>

Financial liabilities at fair value through profit or loss

Equity securities - Moscow Stock Exchange	-	(139,708,135)
Equity Securities - New York Stock Exchange (NYSE)	-	(70,239,376)
Bonds	(9,015,119,036)	(14,548,481,365)
Bonds' issue	(32,579,585,288)	(42,467,109,395)
	<u>(41,594,704,324)</u>	<u>(57,225,538,271)</u>

In the consolidated 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 consolidated statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The bonds issued carry interest between 0% and 21% per annum and they are repayable not later than 11 April 2028 (except for one note which its repayment date is termless).

The Notes in RR: a total amount of RR 10,035,102,960 including interest payable of RR 190,102,960. The revaluation of the issued Notes in RR -1,801,151,800 (2017: RR 7,960,234,841 including interest payable of RR 115,234,841; the revaluation of the issued Notes in RR -263,704,110).

Interest with respect to the Notes in RR is at fixed rate between 0 and 17% per annum 1 time a year/2 times a year/4 times a year and they are repayable not later than 26 November 2027.

The Notes in USD: a total amount of RR 40,717,710,821 including interest payable of RR 325,124,613. The revaluation of the issued Notes in RR -6,998,353,008. The amortization of the discount on the issued Notes in RR -2,412,322,357, the amortization of premiums on issued Notes in RR 12,251,911. (2017: RUR 38,808,119,923 including interest payable of RUR 135,172,843; the revaluation of the issued Notes in RR -599,329,385; the amortization of the discount on the issued Notes in RR -3,449,520,740; the amortization of premiums on issued Notes in RR 11,308,865).

Interest with respect to the Notes in USD is at fixed rate between 0% and 21% per annum 2 times a year/4 times a year and they are repayable not later than 11 April 2028 (except one note which its repayment date is termless).

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Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

The Notes in EUR: a total amount of RR 242,558,444 including interest payable of RR 4,176,944. The revaluation of the issued Notes in RR -134,823,952 (2017: Nil).

Interest with respect to the Note in EUR is at fixed rate of 11% per annum 4 times a year and it is repayable not later than 9 November 2021.

During the year ended 31 December 2018 the Company issued the following Notes:

ISIN	XS1762858428	XS1764143597
Currency	USD	USD
Nominal	300,000,000	100,000,000
Nature of the notes issued	Floating Rate Notes	Floating Rate Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Floating Rate, 6 month LIBOR	LIBOR + 0,5 per cent. Floating rate
Interest payment dates	30 January and 30 July in each year, from and including 30 July 2018 to and including the Maturity Date	1 February and 1 August in each year, from and including 1 August 2018 to and including Maturity Date
Details of the maturity dates of the Notes issued	30 January 2028	1 February 2028 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Not applicable	Not applicable
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1783223206	XS1799164790
Currency	USD	USD
Nominal	20,000,000	20,000,000
Nature of the notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	12 per cent. per annum	10 per cent. per annum
Interest payment dates	28 February, 28 May, 28 August and 28 November in each year, commencing on 28 May 2018 up to and including the Maturity Date	3 January, 3 April, 3 July and 3 October in each year, commencing on 3 July 2018 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	28 February 2021	3 April 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset.	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1801889830	XS1807420937
Currency	USD	RUR
Nominal	300,000,000	350,000,000
Nature of the notes issued	Zero coupon notes	Share linked notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	Zero Coupon, tranche 1 (150 000 000USD) - Issue price 68.21%, tranche 2 (150000 000 USD) - Issue price 68.25 %	In respect of each Interest Period, if the Basket Performance in respect of such Interest Period is: (a) less than or equal to 102.50 per cent., zero; (b) greater than 102.50 per cent. but less than or equal to 107.50 per cent., 5 per cent. per annum (expressed as 0.05); (c) greater than 107.50 per cent. but less than or equal to 112.50 per cent., 9 per cent. per annum (expressed as 0.09); (d) greater than 112.50 per cent. but less than or equal to 117.50 per cent., 14 per cent. per annum (expressed as 0.14); and (e) greater than 117.50 per cent., 18 per cent. per annum (expressed as 0.18)
Interest payment dates	Not applicable	Each of: 30 April 2019, 30 April 2020 and the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	11 April 2028 or if that is not a Business Day the immediately succeeding Business Day	30 April 2021 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Not applicable	Coupon is linked to the performance of the underlying asset.
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1809153627	XS1819608172
Currency	USD	USD
Nominal	5,000,000	10,000,000
Nature of the notes issued	Leveraged Credit Linked Notes	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of: (i) the Interest Period ending on (but excluding) the Cut-off Date (the "Initial Period"), 1.5 per cent. per annum; and (ii) each Interest Period (other than the Initial Period, 10 per cent. per annum, in each case, payable in arrear on each Interest Payment Date	10 per cent. per annum
Interest payment dates	Each of: 14 June, 14 December	5 June and 5 December in each year, commencing on 5 December 2018 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	15 March 2022 or if that is not a Business Day the immediately succeeding Business subject as provided in Annex 6 - "Additional Terms and Conditions for Credit Linked Notes" of the Base Prospectus	5 June 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Following Event determination date or Acceleration event Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1804181565	XS1820831607
Currency	USD	USD
Nominal	5,000,000	8,000,000
Nature of the notes issued	Himalayan Notes	Credit linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of: 1,5% for the Initial Coupon Period 14 % for all Regular Coupon Periods 10% for the Additional Period	5.5 per cent. Fixed Rate
Interest payment dates	21 June 2018, 21 September 2018, 21 December 2018, 21 March 2019, 21 June 2019, 21 September 2019, 21 December 2019, 21 March 2020, 21 June 2020, 21 September 2020, 21 December 2020, 21 March 2021, 21 June 2021	31 October 2018, 30 April 2019, 31 October 2019, 30 April 2020, 31 October 2020, 30 April 2021, 31 October 2021, 30 April 2022 and 31 October 2022
Details of the maturity dates of the Notes issued	21.06.2021 or if that is not a Business Day the immediately succeeding Business Day	31 October 2022 or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Final redemption amounts are linked to the performance of the underlying asset. Coupon is linked to the performance of the underlying asset	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1833629253	XS1838071964
Currency	RUR	USD
Nominal	500,000,000	10,000,000
Nature of the notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	17 per cent. per annum	10 per cent. per annum
Interest payment dates	1 July and 1 January in each year, commencing on 1 January 2019 up to and including the Maturity Date	10 January and 10 July in each year, commencing on 10 January 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	1 July 2021	10 July 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1845143467	XS1857100413
Currency	USD	USD
Nominal	20,000,000	5,000,000
Nature of the notes issued	Credit linked Notes	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of each Interest Period, 6.50 per cent. per annum payable in arrear on each Interest Payment Date	2.5 per cent. per Interest Period
Interest payment dates	Each 13 June and 13 December in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date	10 February, 10 May, 10 August and 10 November in each year, commencing on 10 November 2018 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	22 June 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	10 August 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1859436070	XS1822383094
Currency	RUR	RUR
Nominal	500,000,000	1,000,000,000
Nature of the notes issued	Share Linked Notes (Vanilla Digital Notes with Snowball Digital Coupon)	First-to-Default Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	8.5 per cent. per Interest Period	In respect of each Interest Period, 10.00 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	10 February and 10 August in each year, commencing on 10 February 2019 up to and including the Maturity Date	Each 27 March and 27 September in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	10 August 2021	27 September 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Cash Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1859436401	XS1870376461
Currency	RUR	USD
Nominal	350,000,000	10,000,000
Nature of the notes issued	Tracker Notes on a Mutual Funds Basket	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	The amount of interest payable in respect of each Calculation Amount on each Interest Payment Date shall be an amount payable in arrears determined by the Calculation Agent in accordance with the formulas set out in paragraphs (i) and (ii) below: (i) in respect of the first Interest Period and the related Interest Payment Date: Calculation Amount x (r x It)/365 (ii) in respect of each subsequent Interest Period and the related Interest Payment Date: Calculation Amount x Performance factor x (r x It)/365	8 per cent. per Interest Period
Interest payment dates	Each 31 August from (and including) 31 August 2019 to (and including) the Maturity Date	30 March and 30 September in each year, commencing on 30 March 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	31 August 2021	30 September 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	-
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1873963794	XS1881586686
Currency	RUR	USD
Nominal	500,000,000	5,000,000
Nature of the notes issued	Share Linked Notes (Vanilla Digital Notes with Snowball Digital Coupon)	Credit linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	8.5 per cent. per Interest Period	In respect of the Interest Period, 6.00 per cent. per annum payable in arrear on the Interest Payment Date
Interest payment dates	1 April and 1 October in each year, commencing on 1 April 2019 up to and including the Maturity Date	Each of 27 March and 27 September in each calendar year from (and including) 27 March 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	1 October 2021	27 September 2023 (the "Scheduled Maturity Date") or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	CLN. If credit event occurs with respect to the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Cash Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1878009866	XS1884747483
Currency	USD	USD
Nominal	20,000,000	1,800,000
Nature of the notes issued	Credit linked Notes	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	7.5 per cent. Fixed Rate	1.25 per cent. per Interest Period
Interest payment dates	20 December 2018, 20 June 2019, 20 December 2019, 20 June 2020, 20 December 2020, 20 June 2021, 20 December 2021, 20 June 2022, 20 December 2022 and 20 June 2023	30 March, 30 June, 30 September and 30 December in each year, commencing on 30 December 2018 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	20 June 2023 or if that is not a Business Day the immediately succeeding Business Day	30 September 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1888187900	XS1888270631
Currency	USD	USD
Nominal	15,000,000	15,000,000
Nature of the notes issued	First-to-Default Credit Linked Notes	First-to-Default Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of each Interest Period, 6.00 per cent. per annum payable in arrear on each Interest Payment Date	In respect of each Interest Period, 6.50 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	Each 28 June and 28 December in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date	Each 28 June and 28 December in each calendar year from (and including) the Issue Date up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	28 December 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	28 December 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Cash Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Cash Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1892856128	XS1900962892
Currency	EUR	USD
Nominal	3,000,000	30,000,000
Nature of the notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	2.75 per cent. per Interest Period	In respect of the Interest Period, 6.00 per cent. per annum payable in arrear on the Interest Payment Date
Interest payment dates	9 February, 9 May, 9 August and 9 November in each year, commencing on 9 February 2019 up to and including the Maturity Date	Each of 26 April and 26 October in each calendar year from (and including) 26 April 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	9 November 2021	26 October 2023 (the "Scheduled Maturity Date") or if that is not a Business Day the immediately succeeding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	CLN. If credit event occurs with respect to the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Auction Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1904686661	XS1903464391
Currency	USD	RUR
Nominal	10,000,000	300,000,000
Nature of the notes issued	First to Default Credit Linked Notes	Share Linked Notes (Vanilla Digital Note with Stellar Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	In respect of each Interest Period, 7.70 per cent. per annum payable in arrear on each Interest Payment Date	Notes bear or pay interest, in respect of the relevant period on the basis of a rate calculated by reference to the Underlying Reference with the value of the Underlying Reference being subject to a cap (20%) and a floor (0%)
Interest payment dates	Each 28 June and 28 December in each calendar year from (and including) 28 June 2019 up to (and including) the Scheduled Maturity Date	1 December 2019, 1 December 2020 and 1 December 2021
Details of the maturity dates of the Notes issued	28 December 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	1 December 2021
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Auction Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus	Coupon is linked to the performance of the underlying asset
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1894115705	XS1917700723
Currency	USD	USD
Nominal	5,000,000	10,000,000
Nature of the notes issued	Share Linked Notes (Vanilla Digital Note with Fixed Coupon)	First to Default Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	2.5 per cent. per annum Fixed Rate	In respect of each Interest Period, 8.50 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	30 November 2019, 30 November 2020 and 30 November 2021	Each 28 June and 28 December in each calendar year from (and including) 28 June 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	30 November 2021	19 November 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Auction Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21. Financial instruments at fair value through profit or loss (continued)

ISIN	XS1917700483	XS1923604984
Currency	USD	USD
Nominal	10,000,000	10,000,000
Nature of the notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	First to Default Credit Linked Notes
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	4 per cent. per Interest Period	In respect of each Interest Period, 8.00 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	21 March, 21 June, 21 September and 21 December in each year, commencing on 21 March 2019 up to and including the Maturity Date	Each 11 June and 11 December in each calendar year from (and including) 11 June 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	21 December 2021	11 December 2023 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day
Details as to whether the rate of return of the Notes are linked to the total portfolio of underlying assets or whether the return of each Note is ring fenced to the return from assets of individual series of Notes	Coupon is linked to the performance of the underlying asset	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Auction Settlement Amount as specified in the applicable Final Terms or Drawdown Prospectus
A description of the security, if any, pledged in connection with any Notes issued	Not applicable	Not applicable
A detailed description of the measurement basis used in accounting for the Notes issued by the Company (e.g. amortised cost, fair value etc.)	Fair value	Fair value

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

22. Derivative financial instruments

	Assets 2018 RR	Liabilities 2018 RR	Assets 2017 RR	Liabilities 2017 RR
Foreign currency forward contracts	-	1,432,249	-	12,008,191
Other forward contracts	-	14,004,767,253	-	19,500,699,924
SWAPs	1,924,103,099	1,881,223,689	-	590,883,367
Futures	-	-	748,803	1,291
	<u>1,924,103,099</u>	<u>15,887,423,191</u>	<u>748,803</u>	<u>20,103,592,773</u>

The split between current and non-current derivative financial instruments is as follows:

	Assets 2018 RR	Liabilities 2018 RR	Assets 2017 RR	Liabilities 2017 RR
Current	-	2,530,385,384	748,803	3,510,027,379
Non-current	<u>1,924,103,099</u>	<u>13,357,037,807</u>	-	16,593,565,394
	<u>1,924,103,099</u>	<u>15,887,423,191</u>	<u>748,803</u>	<u>20,103,592,773</u>

23. Cash at bank and in hand

	2018 RR	2017 RR
Cash at bank	<u>106,562,187</u>	161,779,800
	<u>106,562,187</u>	<u>161,779,800</u>

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents include the following:

	2018 RR	2017 RR
Cash at bank and in hand	106,562,187	161,779,800
Bank overdrafts (Note 25)	<u>(87,407)</u>	-
	<u>106,474,780</u>	<u>161,779,800</u>

Non-cash transactions

The principal non-cash transactions during the current and prior year were the acquisition of property, plant and equipment using finance leases.

Cash and cash equivalents by currency:

	2018 RR	2017 RR
United States Dollars	11,806,426	17,022,253
Euro	10,058,478	17,018,283
British Pounds	231,238	3,027,281
Russian Roubles	<u>84,378,638</u>	124,711,983
	<u>106,474,780</u>	<u>161,779,800</u>

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

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

24. Share capital

	2018 Number of shares	2018 EUR	2018 RR	2017 Number of shares	2017 EUR	2017 RR
Authorised						
Ordinary shares of €1,71 each	<u>15,000</u>	<u>25,650</u>	<u>1,886,692</u>	15,000	25,650	1,886,692
			RR			RR
Issued and fully paid						
Balance at 1 January	<u>15,000</u>	-	<u>1,886,692</u>	15,000	-	1,886,692
Balance at 31 December	<u>15,000</u>	-	<u>1,886,692</u>	15,000	-	1,886,692

25. Borrowings

	2018 RR	2017 RR
Current borrowings		
Bank overdrafts (Note 23)	<u>87,407</u>	-

26. Trade and other payables

	2018 RR	2017 RR
Trade payables	<u>14,220,999,182</u>	19,512,708,114
Trade payables on REPO	<u>154,732,097,720</u>	195,481,451,737
VAT	<u>522,005</u>	-
Accruals	<u>7,450,544</u>	4,766,343
Other creditors	<u>8,805,491</u>	7,806,816
Deferred income (see note 22)	-	1,291
	<u>168,969,874,942</u>	<u>215,006,734,301</u>

27. Refundable taxes

	2018 RR	2017 RR
Special contribution for defence	<u>(1,465)</u>	-
	<u>(1,465)</u>	-

28. Related party transactions

Until 2016, the Company was a wholly owned subsidiary of BCS Holding International Limited (previously known as Amazon United Limited) incorporated and domiciled in the British Virgin Islands as a holding company. In 2016, BCS Holding International Limited was liquidated and a new top level holding company was introduced to the Group, known as FG BCS Limited whose registered office is at Prevezis 13, 1st floor, Office 101, 1065, Nicosia, Cyprus. The new holding company is now the direct and ultimate holding company of BrokerCreditService Structured Products Plc.

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Related party transactions (continued)

The following transactions were carried out with related parties:

28.1 Rendering of services and other net gains

		2018	2017
	<u>Nature of transactions</u>	RR	RR
BrokerCreditService (Cyprus) Ltd	Interest income on overnight loans	391,086	44,683,440
	Net gain on trading in financial instruments	-	1,184,459,750
	Net gain realised on trading in foreign currencies	670,686,583	2,841,566,578
	Other income	-	292,294
	Net gain on SWAP operations	15,598,316	-
BCS LLC	Interest on overnight loans	273	59
BCS Forex Ltd	Interest income on loans	46,283,694	2,438,670
Kertina Group Ltd	Interest income on loans	149,646,790	3,057,277
FG BCS Ltd	Interest income on loans	157,107,666	73,324,579
BCS Prime Brokerage Limited	Commission on loans	3,014,809	-
	Interest income	119,857,308	61,379,946
Seldthorn Private Equity Ltd	Interest income	13,848,797	2,699,196
Flamel Global Ltd	Interest income	-	1,326,164
Mikhasenko Oleg Vladimirovich	Interest income	1,398,658,649	195,223,807
		<u>2,575,093,971</u>	<u>4,410,451,760</u>

28.2 Directors' remuneration

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

	2018	2017
	RR	RR
Directors' fees	135,990	191,154
Directors' remuneration	3,344,628	789,416
	<u>3,480,618</u>	<u>980,570</u>

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Related party transactions (continued)

28.3 Receiving of services and other net losses

		2018	2017
	<u>Nature of transactions</u>	RR	RR
BrokerCreditService (Cyprus) Ltd	Brokerage and other services	1,417,794,453	574,882,385
	Net loss on trading in financial instruments	4,562,982,592	-
	Financial result of SWAP operations (OTC)	134,198,946	2,122,719,697
	Change in fair value of derivative financial instruments	577,118,322	-
	Net loss realised on trading in foreign currencies	102,569,762	-
	Tax withheld on dividends from previous years	24,743,713	-
	Tax withheld from sale of non-circulating shares	2,400	-
BCS LLC	Other services	-	354
	Net loss on trading in financial instruments	198,183,810	-
BCS Bank	Bank charges	602,003	-
		<u>7,018,196,001</u>	<u>2,697,602,436</u>

28.4 Receivables from related parties

		2018	2017
<u>Name</u>	<u>Nature of transactions</u>	RR	RR
BrokerCreditService (Cyprus) Ltd	Balances due from brokers	5,045,348,123	7,844,618,408
	Trade	393,017,836	-
	CDS	1,522,726,681	-
		<u>6,961,092,640</u>	<u>7,844,618,408</u>

28.5 Loans to related parties

		2018	2017
		RR	RR
BCS-Forex Ltd		1,365,711,127	1,143,927,186
Seldthorn Private Equity Ltd		-	445,054,860
Oleg Mikhasenko		2,039,723,679	753,945,496
Kertina Group Ltd		1,865,682,567	1,695,140,646
BCS Prime Brokerage Ltd		3,178,415,100	2,732,903,928
FG BCS Ltd		970,867,508	628,579,133
		<u>9,420,399,981</u>	<u>7,399,551,249</u>

The loans to related companies carry interest at rates ranging from 1% to 11% (2017: 1% - 12.60%).

28.6 Payables to related parties

		2018	2017
<u>Name</u>	<u>Nature of transactions</u>	RR	RR
BrokerCreditService (Cyprus) Ltd	Broker commission	253,385,836	420,749,775
	Brokerage account	21,822,508,553	13,903,894,142
	Trade and other payables	2,870,919,718	590,883,367
FG BCS Ltd	Dividends payable	6,500,000,000	287,500,000
		<u>31,446,814,107</u>	<u>15,203,027,284</u>

BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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28. Related party transactions (continued)

28.7 Directors' current accounts - credit balances

	2018	2017
	RR	RR
Evgenios Bagiazidis	<u>1,613</u>	-
	<u>1,613</u>	-

BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

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Year ended 31 December 2018

29. Contingent liabilities

(a) Technology and operating risk

The Group faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Group, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process client transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Group's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Group experiences system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to its systems, linkages with third-party systems, and power failures), business and operations could be significantly negatively impacted. To minimize business interruptions, the Group maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Operational Risk Department that is responsible for the development of overall standards for the management of operational risk. Compliance with these standards is supported by a program of periodic reviews undertaken by the Operational Risk Department and Internal Audit. The Group maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Group clearly defines for employees, contractors, and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security. The Group is actively engaged in the research and development of new technologies, services, and products.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Group may not be effective in all cases. The Group may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures. The Group also faces risk related to its security guarantee which covers client losses from unauthorized account activity, such as those caused by external fraud involving the compromise of clients' login and password information.

(b) Compliance risk

As a participant in the securities and financial services markets, the Group is subject to extensive regulation under both federal and state laws by governmental agencies, supervisory authorities, and self-regulated entities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. Management has invested heavily, with the benefit of its scale, in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business.

These regulations often serve to limit the Group's activities by way of capital, customer protection and market conduct requirements, and restrictions on the businesses activities that the Group may conduct. Furthermore, where the agencies determine that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with the laws and regulations or with the supervisory policies, greater restrictions may be imposed. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Group or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Group's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

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29. Contingent liabilities (continued)

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Group, it must comply with these global, federal, and local information-related laws and regulations.

Management has established policies, procedures and systems designed to comply with these regulations.

30. Commitments

The Group had no capital or other commitments as at 31 December 2018.

31. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

Revenue recognition

Income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group are recognised on the following bases:

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group 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 are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

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Year ended 31 December 2018

31. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Loans granted

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

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31. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale securities the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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31. Accounting policies up to 31 December 2017 (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

32. Events after the reporting period

On 15 April 2019, the Company sold its subsidiary Botimelo Group Ltd to Heelveil Ltd.

Independent auditor's report on pages 10 to 12