

**BROKERCREDITSERVICE STRUCTURED  
PRODUCTS PLC**

**INTERIM UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the period from 1 January, 2019  
to 30 June, 2019**

(Client's Copy)

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **REPORT AND INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

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# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

<b>Board of Directors:</b>	Evgenios Bagiazidis Dimitra Karkalli
<b>Company Secretary:</b>	M. Kyprianou Fiduciaries Ltd
<b>Independent Auditors:</b>	Yiallourides & Partners Ltd Chartered Accountants
<b>Registered office:</b>	Agia Zoni 12 AGIA ZONI CENTER Flat/Office 103 3027 Limassol Cyprus
<b>Bankers:</b>	Hellenic Bank Public Company Ltd BCS Bank JSC
<b>Registration number:</b>	HE158664

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **MANAGEMENT REPORT**

The Board of Directors presents its report and unaudited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the period from 1 January 2019 to 30 June 2019.

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 entity. That is Routa Luxury Services Ltd which is a wholly owned subsidiary of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another company, Botimelo Group Ltd which was fully disposed of on 15 April 2019. Each of the above mentioned wholly owned Subsidiary/ies 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 period ended 30 June 2019 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**

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## **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 7 of the consolidated financial statements.

### **Existence of branches**

The Company and its subsidiaries do not maintain any branches.

### **Going concern basis**

The consolidated financial statements have not been prepared on a going concern basis since it is the intention of the Board of Directors to liquidate the Group as soon as arrangements can be made.

### **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:

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **MANAGEMENT REPORT**

### **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.

### **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**

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## **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.

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **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 period are set out on page 11. The net profit for the period attributable to the shareholders of the Group amounted to RR2,846,704,671 (2018: RR5,077,480,752). On 30 June 2019 the total assets of the Group were RR300,153,493,323 (2018: RR245,079,321,493) and the net assets of the Group were RR5,914,543,770 (2018: RR3,067,839,099).

### **Dividends**

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

On 15 March 2019 the Board of Directors approved the payment of an interim dividend out of 2018 profits of RR6,500,000,000.

### **Share capital**

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

### **Board of Directors**

The members of the Group's Board of Directors as at 30 June 2019 and at the date of this report are presented on page 1.

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.

### **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.



# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **MANAGEMENT REPORT**

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 non-compliant 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 33 to the consolidated financial statements.

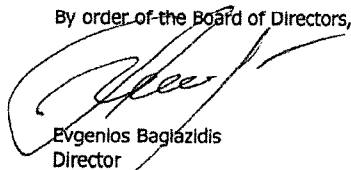
### **Related party transactions**

Disclosed in note 29 of the consolidated financial statements.

### **Independent Auditors**

The Independent Auditors, Yialourides & 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 Baglazidis  
Director

Limassol, 30 September 2019

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **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 10 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 period from 1 January 2019 to 30 June 2019, on the basis of our knowledge, declare that:

- (a) The interim consolidated financial statements of the Group which are presented on pages 11 to 75:
- (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 10, 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, 30 September 2019

# **Independent Auditor's Report on review of interim unaudited financial statements**

## **To the Members of BrokerCreditService Structured Products PLC**

### *Introduction*

We have reviewed the interim consolidated financial statements of BrokerCreditService Structured Products PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 11 to 75 and comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2019 to 30 June 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS34 Interim Financial Reporting'). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit 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.

**Independent Auditor's Report on review of interim unaudited financial statements (continued)**

**To the Members of BrokerCreditService Structured Products PLC**

**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.



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

**Yiallourides & Partners Ltd**  
**Chartered Accountants**

Limassol, 30 September 2019

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from 1 January 2019 to 30 June 2019

	Note	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
Revenue	9	1,400,503	6,325,115
Dividend income (net of taxes)		139,439,391	390,961,136
Interest income		23,367,905	16,079,302
Loan interest income		674,595,419	988,515,178
Net loss on trading in financial instruments		(1,192,421,541)	(1,987,249,157)
Net gain realised on trading in foreign currencies		5,651,282,306	1,620,866,359
Net fair value gains on financial assets at fair value through profit or loss	23	7,015,033,816	8,870,413,054
Interest income from bonds		1,954,604,871	2,239,269,330
Interest income on reverse repurchase agreements		1,867,644,459	3,913,840,570
Interest expense on bonds		(2,482,460,962)	(2,201,552,255)
Interest expense on REPO loans		(3,724,835,801)	(4,346,787,463)
Net fair value loss on trading in foreign currencies		(165,413,000)	(307,876,250)
Financial result of SWAP operations (OTC)		1,164,613,315	(67,838,126)
Loss from sale of investments in subsidiaries		(7,338,545)	-
Staff costs	13	(9,653,465)	(4,549,299)
Depreciation and amortisation expense		(915,208)	-
Other operating income	10	25,635,733	-
Change in fair value of derivative financial instruments		(3,991,860,802)	3,021,732,409
Net impairment (loss)/profit on financial and contract assets		(18,083,574)	76,397,202
Administration and other expenses	11	(795,504,561)	(2,390,899,812)
<b>Operating profit</b>	12	<b>6,129,130,259</b>	<b>9,837,647,293</b>
Finance income	14	9,705,979	-
Finance costs	14	(3,251,194,267)	(2,206,149,436)
Share of losses/profits of associates		(40,932,125)	14,751,402
<b>Profit before tax</b>		<b>2,846,709,846</b>	<b>7,646,249,259</b>
Tax	15	(5,175)	(2,400)
<b>Net profit for the period/year</b>		<b>2,846,704,671</b>	<b>7,646,246,859</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<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		-	-
<b>Total comprehensive income for the period/year</b>		<b>2,846,704,671</b>	<b>7,646,246,859</b>

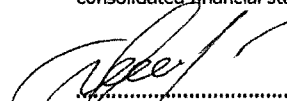
The notes on pages 16 to 75 form an integral part of these consolidated financial statements.


## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 30 June 2019

	Note	30 JUNE 2019 RR	31 DECEMBER 2018 RR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	1,779,448	598,610
Investments in associates	20	609,435,524	650,367,649
Non-current loans receivable	21	5,015,254,574	2,045,435,848
Loans to associates	29	6,235,596,098	6,409,808,794
Loans to parent	29	1,629,238,311	1,116,372,646
		<u>13,491,303,955</u>	<u>10,222,583,547</u>
<b>Current assets</b>			
Trade and other receivables	22	173,303,053,226	137,470,887,590
Receivables from associates	29	10,937,669,008	6,961,092,640
Loans receivable	21	2,025,612,370	1,426,045,789
Loans to associates	29	3,200,199,360	-
Loans to parent	29	5,158,745,322	1,894,218,541
Financial assets at fair value through profit or loss	23	91,847,136,877	86,997,929,734
Refundable taxes	28	2,374,297	1,465
Cash at bank and in hand	25	187,398,908	106,562,187
		<u>286,662,189,368</u>	<u>234,856,737,946</u>
<b>Total assets</b>		<u><b>300,153,493,323</b></u>	<u><b>245,079,321,493</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	1,886,692	1,886,692
Other reserves		-	58,932,056
Retained earnings		5,912,657,079	3,007,020,351
<b>Total equity</b>		<u><b>5,914,543,771</b></u>	<u><b>3,067,839,099</b></u>
<b>Current liabilities</b>			
Trade and other payables	27	226,686,508,603	168,969,874,942
Payables to associates	29	19,732,306,383	24,946,814,107
Directors' current accounts - credit balances	29	-	1,613
Payables to parent	29	-	6,500,000,000
Borrowings	25	79,000	87,407
Financial liabilities at fair value through profit or loss	23	47,820,055,566	41,594,704,325
		<u>294,238,949,552</u>	<u>242,011,482,394</u>
<b>Total equity and liabilities</b>		<u><b>300,153,493,323</b></u>	<u><b>245,079,321,493</b></u>

On 30 September 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 16 to 75 form an integral part of these consolidated financial statements.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 1 January 2019 to 30 June 2019

	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 2018	1,886,692	58,932,056	10,629,539,599	10,690,358,347
Net profit for the period	-	-	7,646,246,859	7,646,246,859
Other comprehensive income for the period	-	14,751,402	-	14,751,402
Transfer of fair value reserve of FA at FVTOCI to retained earnings	-	(14,751,402)	14,751,402	-
<b>Balance at 30 June 2018</b>	<b>1,886,692</b>	<b>58,932,056</b>	<b>18,290,537,860</b>	<b>18,351,356,608</b>
Net (loss) for the period	-	-	(2,583,517,508)	(2,583,517,508)
Dividends	-	-	(12,700,000,000)	(12,700,000,000)
<b>Balance at 31 December 2018/1 January 2019</b>	<b>1,886,692</b>	<b>58,932,056</b>	<b>3,007,020,352</b>	<b>3,067,839,100</b>
Net profit for the period	-	-	2,846,704,671	2,846,704,671
Transfer of fair value reserve of FA at FVTOCI to retained earnings	-	(58,932,056)	58,932,056	-
<b>Balance at 30 June 2019</b>	<b>1,886,692</b>	<b>-</b>	<b>5,912,657,079</b>	<b>5,914,543,771</b>

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The notes on pages 16 to 75 form an integral part of these consolidated financial statements.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 January 2019 to 30 June 2019

	Note	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>2,846,709,846</b>	7,631,497,857
Adjustments for:			
Depreciation of property, plant and equipment	19	915,208	-
Exchange difference arising on the translation of non-current assets in foreign currencies		4,028,324,709	(4,709,189,798)
Unrealised exchange loss		3,238,575,572	2,204,927,788
Share of loss from associates	20	40,932,125	-
Change in fair value of derivative financial instruments		3,991,860,802	(3,021,732,409)
Fair value gains on financial assets at fair value through profit or loss		(7,015,033,816)	(8,870,413,054)
(Reversal of impairment)/impairment charge - cash and cash equivalents		-	1,340
(Reversal of impairment)/impairment charge - amounts receivable		(1,795,678)	59,708,717
(Reversal of impairment)/impairment charge - loans receivable	29	18,688,103	(18,343,506)
Impairment charge/(reversal of impairment) - trade receivables	22	1,189,629	(117,763,753)
Dividend income		(139,439,391)	(390,961,136)
Interest income		(697,963,324)	(1,004,594,480)
Interest expense	14	24,389	-
Dividends accrued		-	-
		<b>6,312,988,174</b>	(8,236,862,434)
<b>Changes in working capital:</b>			
(Increase)/decrease in trade and other receivables		(35,833,355,265)	51,313,965,206
(Increase)/decrease in receivables from related companies		(3,976,576,368)	3,452,174,129
(Decrease) in Directors' current accounts		(1,613)	-
(Increase) in financial assets at fair value through profit or loss		(8,681,645,092)	(42,110,410,033)
Decrease in derivative financial instruments		9,052,337,127	42,390,092,218
Increase/(Decrease) in trade and other payables		57,716,633,662	(58,480,419,884)
(Decrease)/increase in payables to related companies		(5,214,507,724)	10,204,461,634
(Decrease) in payables to parent		(6,500,000,000)	(287,500,000)
<b>Cash generated/(used in) operations</b>		<b>12,875,872,901</b>	(1,754,499,164)
Interest received		697,963,324	1,004,594,480
Dividends received		139,439,391	390,961,136
Tax paid		(2,378,007)	(2,400)
<b>Net cash generated/(used in) operating activities</b>		<b>13,710,897,609</b>	(358,945,948)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment	19	-	-
Payment for purchase of financial assets at amortised cost		-	-
Loans granted		(10,372,764,417)	-
Loans repayments received		(18,688,103)	2,580,471,466
<b>Net cash (used in)/generated from investing activities</b>		<b>(10,391,452,520)</b>	2,580,471,466
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unrealised exchange (loss)		(3,238,575,572)	(2,204,927,788)
Interest paid		(24,389)	-
Dividends paid		-	-

The notes on pages 16 to 75 form an integral part of these consolidated financial statements.



## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 January 2019 to 30 June 2019

	<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	<b>RR</b>	RR
<b>Net cash used in financing activities</b>	<b>(3,238,599,961)</b>	<b>(2,204,927,788)</b>
<b>Net increase in cash and cash equivalents</b>	<b>80,845,128</b>	16,597,730
Cash and cash equivalents at beginning of the period/year	<b>106,474,780</b>	161,779,800
<b>Cash and cash equivalents at end of the period/year</b>	<b>187,319,908</b>	178,377,530

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The notes on pages 16 to 75 form an integral part of these consolidated financial statements.

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **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.

### **2. Unaudited financial statements**

The consolidated financial statements for the six months ended on 30 June 2018 and 2019 respectively, have not been audited by the external auditors of the 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 entity. That is Routa Luxury Services Ltd which is a wholly owned subsidiary of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another company, Botimelo Group Ltd which was fully disposed of on 15 April 2019. Each of the above mentioned wholly owned Subsidiary/ies 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.

### **3. Basis of preparation**

These interim consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the International Accounting Standard (IAS) applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34) and the requirements of the Cyprus Companies Law Cap.113. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

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**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **4. Adoption of new or revised standards and interpretations (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 8.

#### **4. Adoption of new or revised standards and interpretations**

During the current period 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 2019. This adoption did not have a material effect on the accounting policies of the Group.

As from 1 January 2019, the Group adopted all the IFRSs and International Accounting Standards (IAS), which are relevant to its operations.

The adoption of these Standards had a material effect on the consolidated financial statements as follows:

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

For more information and details on the changes and implications to the Group's accounting policies resulting from the adoption of IFRS 16, see Note 5.

#### **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)**

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.

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **4. Adoption of new or revised standards and interpretations (continued)**

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.

### **5. Significant accounting policies**

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

#### **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 (up to 15 April 2019 the disposal day).

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.

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **5. Significant accounting policies (continued)**

#### **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;
- 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 IFRS 9, 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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Business combinations (continued)**

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.

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 IFRS 9 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 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.

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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **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.

##### **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).

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Revenue recognition (continued)**

- **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.

The difference between the fair value of investments at fair value through profit or loss as at 30 June 2019 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of financial assets at fair value through other comprehensive income are recognised in equity. When financial assets at fair value through other comprehensive income 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.



## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Revenue recognition (continued)**

- **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.

- **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 them 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 recognizes 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.

# **BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **5. Significant accounting policies (continued)**

#### **(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.

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	33

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

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Property, plant and equipment (continued)**

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

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

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

##### **REPO agreements**

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.

##### **Leases**

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Leases (continued)**

A lessee recognises a right-of-use asset representing its right to use the underlying asset measured at the amount equal to the lease liabilities and the provision for restoration costs, adjusted for any related prepaid or accrued lease payments previously recognised. Lease liability is recognised based on the present value of remaining lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, an incremental borrowing rate ('IBR') is used. Subsequent to initial recognition, the lessee measures the right of use asset by applying the cost model and depreciation is computed on a straight-line basis up to the end of the lease term. The lease liability increases with the accrual of interest throughout the life of the lease and is reduced when payments are made.

The Group holds lease contracts for office premises. The implementation of IFRS 16 led to the recognition of the right of use assets at an equal amount as lease with no effect on equity or retained earnings of the Group as at 1 January 2019.

The table below shows the impact on initial implementation of IFRS 16:

Right-of-use assets	2,096,046
Trade and other receivables	(190,705)
Lease liabilities	(1,905,341)

When measuring lease liabilities the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3,66%

##### **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.

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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Financial assets - Classification (continued)**

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.

**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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Financial assets - Measurement (continued)**

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.

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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

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

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 7, 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 7, Credit risk section.

Additionally, the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, 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.

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.

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **5. Significant accounting policies (continued)**

#### **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.

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:



## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **5. Significant accounting policies (continued)**

##### **Credit related commitments (continued)**

- (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.

##### **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.

##### **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.

# **BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **5. Significant accounting policies (continued)**

#### **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.

### **6. New accounting pronouncements**

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

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the group has not early adopted, as follows:

#### **IFRS 17 Insurance Contracts**

# **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **6. New accounting pronouncements (continued)**

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.

At the date of approval of these consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

#### **(i) Not adopted by the European Union**

##### **New standards**

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).

##### **Amendments**

- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)
- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

### **7. 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.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

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:

##### 7.1 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

Year-end market value of Company's portfolio:

	<b>30 JUNE 2019</b>	<b>FA at FVTPL</b>	<b>30 JUNE 2019</b>	<b>FL at FVTPL</b>
	<b>RR</b>	<b>31 DECEMBER</b>	<b>RR</b>	<b>31 DECEMBER</b>
		<b>2018</b>		<b>2018</b>
		<b>RR</b>		<b>RR</b>
Equity securities - Moscow Stock Exchange	<b>1,665,607,090</b>	1,889,952,327	-	-
Equity Securities - New York Stock Exchange (NYSE)	<b>40,451,832,709</b>	35,594,440,351	<b>18,968</b>	-
Equity securities - Switzerland Composite (SW)	<b>14,530,895</b>	15,843,154	-	-
Equity securities - Germany Composite (GR)	<b>612,887,234</b>	321,734,255	-	-
Equity securities - US Composite (US)	<b>842,575,092</b>	8,601,756	-	-
Equity securities - BRSAITALIANA (IM)	<b>1,973,156,596</b>	-	-	-
Unlisted securities	-	6,682,250,643	-	-
Debt securities - bonds	<b>46,286,547,261</b>	42,485,107,248	<b>13,243,408,138</b>	9,015,119,037
Bonds' issue	-	-	<b>34,576,628,460</b>	32,579,585,288
	<b><u>91,847,136,877</u></b>	<u>86,997,929,734</u>	<b><u>47,820,055,566</u></b>	<u>41,594,704,325</u>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

##### 7.1 Market price risk (continued)

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.

##### 7.2 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:

	<b>30 JUNE 2019</b>	31 DECEMBER
	<b>RR</b>	2018 RR
Fixed rate instruments		
Financial assets (loans)	<b>20,093,981,334</b>	12,891,881,618
Financial assets (reverse REPO)	<b>156,274,574,058</b>	128,614,838,208
Financial liabilities (bonds' issue)	<b>32,997,674,236</b>	32,013,649,034
Financial liabilities (direct REPO)	<b>203,470,834,727</b>	147,093,735,814
Variable rate instruments		
Financial assets (loans)	<b>3,170,664,701</b>	-
Financial liabilities	<b><u>1,578,954,224</u></b>	<u>565,936,254</u>

##### 7.3 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.

# BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

## NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### (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:

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Loans receivable	7,040,866,944	3,471,481,637
Loans to associates	9,435,795,458	4,404,291,935
Loans to parent	6,787,983,633	3,016,108,046
Trade and other receivables	7,511,107,020	1,527,033,697
Trade receivables on REPO	165,791,946,206	135,943,853,893
Cash in hand and at bank	187,398,908	106,562,187
Receivables from associates	10,937,669,008	6,961,092,640
Refundable taxes	2,374,297	-
	<u>207,695,141,474</u>	<u>157,430,425,500</u>

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

- trade and other receivables
- financial assets at amortised cost
- cash and cash equivalents

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

##### Significant increase in credit risk

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

##### 7.3 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)
<ul style="list-style-type: none"> <li>• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections</li> </ul>	<ul style="list-style-type: none"> <li>• Payment record – this includes overdue status as well as a range of variables about payment ratios</li> </ul>
<ul style="list-style-type: none"> <li>• Data from credit reference agencies, press articles, changes in external credit ratings</li> </ul>	<ul style="list-style-type: none"> <li>• Requests for and granting of forbearance</li> </ul>
<ul style="list-style-type: none"> <li>• Quoted bond and credit default swap (CDS) prices for the borrower where available</li> </ul>	<ul style="list-style-type: none"> <li>• Existing and forecast changes in business, financial and economic conditions</li> </ul>
<ul style="list-style-type: none"> <li>• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities</li> </ul>	

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **7. Financial risk management (continued)**

##### **7.3 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*



## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **7. Financial risk management (continued)**

##### **7.3 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 ECL 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.

## **BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **7. Financial risk management (continued)**

##### **7.3 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*

# **BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC**

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## **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

### **7. Financial risk management (continued)**

#### **7.3 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.

## BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

##### 7.3 Credit risk (continued)

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

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

Impairment losses	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
Impairment charge - cash and cash equivalents	(1,552)	(1,340)
Impairment charge - amounts receivable	(4,485)	(59,708,717)
Impairment charge - loans receivable	(26,839,254)	-
Impairment charge - trade receivables	(40,267,309)	-
Reversal of impairment - cash and cash equivalents	32	-
Reversal of impairment - amounts receivable	1,800,163	-
Reversal of impairment - loans receivable	8,151,151	18,343,506
Reversal of impairment - trade receivables	39,077,680	117,763,753
<b>Net impairment (loss)/profit on financial and contract assets</b>	<b>(18,083,574)</b>	<b>76,397,202</b>

(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.

##### 7.4 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.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

##### 7.4 Liquidity risk (continued)

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.

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.

30 June 2019	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	854,633	854,633	598,243	256,390	-	-
Lease liability	1,041,143	1,041,143	-	523,510	517,633	-
Other creditors	142,584	142,584	142,584	-	-	-
Bank overdrafts	79,000	79,000	-	-	79,000	-
Trade and other payables	232,685,747	232,685,747	226,641,701	6,044,046	-	-
Trade payables on REPO	210,984,501,422	210,984,501,422	134,347,038,830	76,637,462,592	-	-
Payables to related parties	12,593,072,219	12,593,072,219	-	12,593,072,219	-	-
VAT	920,934	920,934	920,934	-	-	-
Bonds' issue	34,576,628,460	34,576,628,460	644,783,250	526,257,343	21,858,760,871	11,546,826,996
SWAPs (OTC)	7,139,234,164	7,139,234,164	-	-	7,139,234,164	-
Forward contracts	15,378,437,908	15,378,437,908	764,164,698	2,669,660,069	11,944,613,141	-
Options	87,924,233	87,924,233	87,924,233	-	-	-
	<b>280,995,522,447</b>	<b>280,995,522,447</b>	<b>136,072,214,473</b>	<b>92,433,276,169</b>	<b>40,943,204,809</b>	<b>11,546,826,996</b>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

##### 7.4 Liquidity risk (continued)

31 December 2018	Carrying amounts RR	Contractual cash flows RR	3 months or less RR	3-12 months RR	1-5 years RR	More than 5 years 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	-
	<u>232,996,363,361</u>	<u>232,996,363,361</u>	<u>75,389,903,617</u>	<u>112,033,311,910</u>	<u>27,980,057,795</u>	<u>17,593,090,039</u>

##### 7.5 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:

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

	Liabilities		Assets	
	30 JUNE 2019	31 DECEMBER 2018	30 JUNE 2019	31 DECEMBER 2018
	RR	RR	RR	RR
United States Dollars	140,965,862,485	157,045,874,641	153,298,806,901	161,463,371,234
Euro	33,672,040,608	13,798,185,709	34,954,357,440	18,380,695,190
British Pounds	274,878,552	99,825,552	70,419,100	145,993,742
Russian Roubles	119,317,226,863	71,067,596,492	111,719,256,445	64,133,377,143
Swiss Franc	-	-	48,886,397	894,480,378
Hong Kong Dollar	-	-	46,710,163	47,334,343
Australian Dollar	-	-	4,221,199	4,221,199
Japanese Yen	8,941,045	-	5,549,870	4,945,880
Other currencies	-	-	5,285,808	4,902,384
	<b>294,238,949,553</b>	<b>242,011,482,394</b>	<b>300,153,493,323</b>	<b>245,079,321,493</b>

#### 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	
	30 JUNE 2019	31 DECEMBER 2018	30 JUNE 2019	31 DECEMBER 2018
	%	%	RR	RR
United States Dollars	(9)	20	57,271,255,774	91,309,062,586
Euro	(10)	15	(21,352,528,050)	10,870,742,127
British Pounds	(10)	13	(851,281,258)	164,885,049

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

#### 7.6 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.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

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 30 June 2019 and 31 December 2018:

30 June 2019	Level 1 RR	Level 2 RR	Level 3 RR	Total RR
Financial assets				
Financial assets at fair value through profit or loss	91,847,136,877	-	-	91,847,136,877
Derivative financial assets	-	7,731,367,143	-	7,731,367,143
<b>Total</b>	<b>91,847,136,877</b>	<b>7,731,367,143</b>	<b>-</b>	<b>99,578,504,020</b>
Financial liabilities				
Financial liabilities at fair value through profit or loss	13,243,427,106	-	-	13,243,427,106
Derivative financial liabilities	-	22,605,596,305	-	22,605,596,305
Bonds' issue	-	34,576,628,460	-	34,576,628,460
<b>Total</b>	<b>13,243,427,106</b>	<b>57,182,224,765</b>	<b>-</b>	<b>70,425,651,871</b>
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
<b>Total</b>	<b>80,242,200,425</b>	<b>8,679,832,409</b>	<b>-</b>	<b>88,922,032,834</b>
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
<b>Total</b>	<b>9,015,119,036</b>	<b>48,467,008,479</b>	<b>-</b>	<b>57,482,127,515</b>

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.



## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

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.

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.

#### 7.8 Offsetting financial assets and liabilities

30 June 2019	(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	-	15,378,437,908	(15,378,437,908)	-	(15,378,437,908)
Futures	-	-	-	-	-
SWAPs	7,731,367,143	7,139,234,164	592,132,979	-	592,132,979
Options	-	87,924,233	(87,924,233)	-	(87,924,233)
REPO (reverse)	156,274,574,058	-	156,274,574,058	-	156,274,574,058
REPO (direct)	-	203,470,834,727	(203,470,834,727)	-	(203,470,834,727)
Shares	45,560,589,616	18,968	45,560,570,648	-	45,560,570,648
Bonds	46,286,547,261	13,243,408,138	33,043,139,123	-	33,043,139,123
Receivables	20,237,155,330	-	20,237,155,330	-	20,237,155,330
Payables	-	20,342,462,955	(20,342,462,955)	-	(20,342,462,955)
Loans	23,264,646,035	-	23,264,646,035	-	23,264,646,035
Bonds issue	-	34,576,628,460	(34,576,628,460)	-	(34,576,628,460)
<b>Total:</b>	<b>299,354,879,443</b>	<b>294,238,949,553</b>	<b>5,115,929,890</b>	<b>-</b>	<b>5,115,929,890</b>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 7. Financial risk management (continued)

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
REPO (reverse)	128,614,838,208	-	128,614,838,208	-	128,614,838,208
REPO (direct)	-	147,093,735,814	(147,093,735,814)	-	(147,093,735,814)
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	-	32,579,858,288	(32,579,858,288)	-	(32,579,858,288)
Total:	<u>244,321,793,048</u>	<u>242,011,482,396</u>	<u>2,310,310,652</u>	-	<u>2,310,310,652</u>

#### 8. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the 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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **8. Critical accounting estimates and judgments (continued)**

- **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 investments in associates**

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future discounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

The Group periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 7, Credit risk section.

- **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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **8. 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 5

- 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

#### **9. Revenue**

	<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	RR	RR
Rendering of services	<b>1,231,072</b>	4,656,295
Profit from corporate actions	<b>169,431</b>	1,668,820
	<b><u>1,400,503</u></b>	<u>6,325,115</u>

#### **10. Other operating income**

	<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	RR	RR
Other income on REPO	<b>3,095,412</b>	-
Extraordinary income	<b>4,706,746</b>	-
Upfront fee on loans receivable	<b>17,741,960</b>	-
Sundry operating income	<b>91,615</b>	-
	<b><u>25,635,733</u></b>	<u>-</u>

## BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 11. Administration and other expenses

	<b>For the period ended 30 June 2019 RR</b>	For the period ended 30 June 2018 RR
Debt cancellation	-	-
Non-deductible expenses	-	15,433
Other expense on REPO	-	659,749,344
Rent	-	349,537
Commissions of higher brokers written-off	-	14,444
Professional licence fee	<b>5,950</b>	5,900
Intermediary services	<b>147,872,926</b>	361,634,676
Annual levy	<b>51,261</b>	53,026
Electricity	<b>6,887</b>	4,117
Bank guarantee	-	42,216
Insurance	<b>64,550</b>	8,543
Repairs and maintenance	-	5,081
Telephone and postage	<b>67,322</b>	7,833
Modality platform expenses	<b>2,139,936</b>	-
Courier expenses	-	173,253
Security expenses	<b>25,907</b>	-
Listing services	<b>6,582,554</b>	-
Computer supplies and maintenance	<b>68,361</b>	-
Computer software	<b>21,613</b>	-
Expenses for appointment of new director	<b>7,686</b>	-
Auditors' remuneration - current period	<b>1,101,344</b>	1,266,926
Auditors' remuneration - prior years	-	-
Legal fees	<b>7,666,003</b>	19,037,942
Directors' fees	<b>109,633</b>	-
Dealer's commission	<b>14,897,248</b>	-
Travelling	<b>91,500</b>	150,033
Irrecoverable VAT	<b>2,709,780</b>	1,194,343
Website maintenance	<b>174,000</b>	-
Office expenses	<b>41,483</b>	-
Professional services	<b>5,069,723</b>	29,521,569
Agent's commission and other fees	<b>2,303,613</b>	2,117,758
Information and consulting services	-	70,364,858
Brokerage fees	<b>581,448,109</b>	1,178,917,822
Indirect expenses under brokerage agreement	<b>22,903,726</b>	65,382,334
Sundry expenses	<b>73,446</b>	882,824
	<u><b>795,504,561</b></u>	<u><b>2,390,899,812</b></u>

#### 12. Operating profit

	<b>For the period ended 30 June 2019 RR</b>	For the period ended 30 June 2018 RR
Operating profit is stated after charging the following items:		
Directors' fees	<b>109,633</b>	-
Staff costs including Directors in their executive capacity (Note 13)	<b>9,653,465</b>	4,549,299
Auditors' remuneration - current period	<b>1,101,344</b>	1,266,926
Auditors' remuneration - prior years	<b>-</b>	<b>-</b>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 13. Staff costs

	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
Salaries	8,813,600	4,549,299
Social security costs	839,865	-
	<u>9,653,465</u>	<u>4,549,299</u>

#### 14. Finance income/(costs)

	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
Exchange profit	9,705,979	-
<b>Finance income</b>	<u>9,705,979</u>	<u>-</u>
Net foreign exchange losses	(3,248,281,551)	(2,204,927,788)
Interest expense	(24,389)	-
Sundry finance expenses	(2,888,327)	(1,221,648)
<b>Finance costs</b>	<u>(3,251,194,267)</u>	<u>(2,206,149,436)</u>
<b>Net finance costs</b>	<u>(3,241,488,288)</u>	<u>(2,206,149,436)</u>

#### 15. Tax

	For the period ended 30 June 2019 RR	For the period ended 30 June 2018 RR
Overseas tax	5,175	2,400

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

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 16. Dividends

	<b>For the period ended 30 June 2019</b>	For the year ended 31 December 2018
	RR	RR
Interim dividend declared	-	12,700,000,000
	<u>-</u>	<u>12,700,000,000</u>

During 2018 the Board of Directors approved the payment of an interim dividend out of 2017 profits of RR6,487,500,000 .

On 15 March 2019, the Board of Directors approved the payment of an interim dividend out of 2018 profits of RR6,500,000,000.

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.

#### 17. Financial instruments by category

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

<b>30 June 2019</b>	Non-financial instruments RR	Fair value through profit or loss RR	Financial assets at amortised cost RR	Total RR
<b>Assets as per consolidated statement of financial position:</b>				
Trade and other receivables	-	-	176,511,729,388	176,511,729,388
Loans granted	-	-	23,264,646,035	23,264,646,035
Cash and cash equivalents	-	-	187,398,908	187,398,908
Derivative financial assets	-	7,731,367,143	-	7,731,367,143
Financial assets at fair value through profit or loss	-	91,847,136,877	-	91,847,136,877
Investments in associates	609,435,524	-	-	609,435,524
<b>Total</b>	<u>609,435,524</u>	<u>99,578,504,020</u>	<u>199,963,774,331</u>	<u>300,151,713,875</u>

	Fair value through profit or loss RR	Borrowings and other financial liabilities RR	Total RR
<b>Liabilities as per consolidated statement of financial position:</b>			
Trade and other payables	-	223,813,297,682	223,813,297,682
Derivative financial liabilities	22,605,596,305	-	22,605,596,305
Financial liabilities at fair value through profit or loss	13,243,427,106	-	13,243,427,106
Bonds' issue	-	34,576,628,460	34,576,628,460
<b>Total</b>	<u>35,849,023,411</u>	<u>258,389,926,142</u>	<u>294,238,949,553</u>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 17. Financial instruments by category (continued)

31 December 2018	Non-financial instruments 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
Investments in associates	650,367,649	-	-	650,367,649
<b>Total</b>	<b>650,367,649</b>	<b>88,922,032,834</b>	<b>155,506,322,400</b>	<b>245,078,722,883</b>
			Borrowings and other financial liabilities RR	Total RR
<b>Liabilities as per consolidated statement of financial position:</b>				
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
<b>Total</b>			<b>242,011,482,394</b>	<b>242,011,482,394</b>

#### 18. 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:

	30 JUNE 2019 RR	31 DECEMBER 2018 RR
<b>Fully performing trade receivables</b>		
Counterparties without external credit rating		
Group 1	7,513,481,316	1,527,035,162
Group 2	10,937,669,008	6,961,092,640
Group 3	165,791,946,207	135,943,853,893
<b>Total fully performing trade receivables</b>	<b>184,243,096,531</b>	<b>144,431,981,695</b>
Fully performing loans receivable		
Group 1	6,696,888,651	3,081,353,373
Group 2	16,223,779,090	9,420,399,981
Group 3	343,978,294	390,128,264
	<b>23,264,646,035</b>	<b>12,891,881,618</b>
<b>Cash at bank and short term bank deposits <sup>(1)</sup></b>		
Hellenic Bank Public Company Ltd	3,086,474	5,818,180
BCS Bank	184,306,853	100,744,007
	<b>187,393,327</b>	<b>106,562,187</b>

The rest of the consolidated statement of financial position item "Cash and cash equivalents" is cash in hand.



## BROKER CREDIT SERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 18 Credit quality of financial assets (continued)

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.

#### 19. Property, plant and equipment

	Right to use the lease RR	Computer hardware RR	Total RR
<b>Cost</b>			
Additions	-	652,854	652,854
<b>Balance at 31 December 2018</b>	-	652,854	652,854
<b>Balance at 1 January 2019</b>	-	652,854	652,854
Additions	2,096,046	-	2,096,046
<b>Balance at 30 June 2019</b>	2,096,046	652,854	2,748,900
<b>Depreciation</b>			
Charge for the period	-	54,244	54,244
<b>Balance at 31 December 2018</b>	-	54,244	54,244
<b>Balance at 1 January 2019</b>	-	54,244	54,244
Charge for the period	804,678	110,530	915,208
<b>Balance at 30 June 2019</b>	804,678	164,774	969,452
<b>Net book amount</b>			
<b>Balance at 30 June 2019</b>	1,291,368	488,080	1,779,448
<b>Balance at 1 January 2019</b>	-	598,610	598,610

#### 20. Investments in associates

	2019 RR	2018 RR
Balance at 1 January	650,367,649	512,684,474
Share of losses/profits of associates	(40,932,125)	137,683,175
<b>Balance at 30 June/31 December</b>	609,435,524	650,367,649

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 20. Investments in associates (continued)

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	30 JUNE	31		
			2019	DECEMBER	30 JUNE 2019	31 DECEMBER
			Holding %	2018 Holding %	RR	RR
Combined Closed-end mutual Fund "FNB Business"	Russia	Management of investment funds	25.23	25.23	<b>609,435,524</b>	650,367,649
					<u>609,435,524</u>	<u>650,367,649</u>

During the period the parent company has decided to reclassify Combined Closed-end mutual Fund "FNB Business" from financial asset at FVTOCI to investment in associate. The Company has elected to measure the associate at fair value. In that respect the fair value reserve was transferred to retained earnings and the revaluation of the associate for the period was through profit or loss. The relevant reclassifications were made to comparative information as well.

#### 21. Non-current loans receivable

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Loans receivable	<b>7,040,866,944</b>	3,471,481,637
Less current portion	<b>7,040,866,944</b>	3,471,481,637
Non-current portion	<b>(2,025,612,370)</b>	(1,426,045,789)
	<u><b>5,015,254,574</b></u>	<u>2,045,435,848</u>

The loans are repayable as follows:

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Within one year	<b>2,025,612,370</b>	1,426,045,789
Between one and five years	<b>5,015,254,574</b>	2,045,435,848
	<u><b>7,040,866,944</b></u>	<u>3,471,481,637</u>

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

	30 JUNE 2019	31 DECEMBER 2018
	%	%
United States Dollars	<b>5.66</b>	3.56
Euro	<b>1.64</b>	3.73
Russian Roubles	<u><b>8.62</b></u>	<u>9.44</u>

The exposure of the Group to credit risk in relation to loans receivable is reported in note 7 of the consolidated financial statements.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 22. Trade and other receivables

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Trade receivables	7,510,774,718	1,526,594,506
Trade receivables on REPO	165,791,946,207	135,943,853,893
Deposits and prepayments	<u>332,301</u>	<u>439,191</u>
	<u><b>173,303,053,226</b></u>	<u>137,470,887,590</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 7 of the consolidated financial statements.

#### 23. Financial instruments at fair value through profit or loss

Financial assets	2019	2018
	RR	RR
Balance at 1 January	86,997,929,734	117,011,808,921
Additions	130,724,863,196	683,668,585,574
Disposals	(122,043,218,104)	(735,450,018,026)
Change in fair value	9,900,534,936	(4,331,171,130)
Exchange differences	<u>(13,732,972,885)</u>	<u>26,098,724,395</u>
<b>Balance at 30 June/31 December</b>	<u><b>91,847,136,877</b></u>	<u>86,997,929,734</u>
Financial liabilities	2019	2018
	RR	RR
Balance at 1 January	41,594,704,325	57,225,538,271
Additions	98,502,852,944	226,261,042,161
Disposals	(85,458,655,015)	(236,245,592,102)
Change in fair value	2,885,501,120	(8,912,646,050)
Exchange differences	<u>(9,704,347,808)</u>	<u>3,266,362,045</u>
<b>Balance at 30 June/31 December</b>	<u><b>47,820,055,566</b></u>	<u>41,594,704,325</u>

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

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

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
<b>Financial assets at fair value through profit or loss</b>		
Equity securities - Moscow Stock Exchange	1,665,607,090	1,889,952,327
Equity Securities - New York Stock Exchange (NYSE)	40,451,832,710	35,594,440,352
Equity securities - SW (Switzerland Composite)	14,530,895	15,843,154
Equity securities - GR (Germany Composite)	612,887,234	321,734,255
Equity securities - US (Composite US)	842,575,092	8,601,756
Equity Securities - BRSAITALIANA (IM)	1,973,156,596	-
Unlisted securities	-	6,682,250,643
Debt securities - Bonds	<u>46,286,547,260</u>	<u>42,485,107,248</u>
	<u>91,847,136,877</u>	<u>86,997,929,735</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Bonds	(13,243,408,138)	(9,015,119,036)
Bonds' issue	(34,576,628,460)	(32,579,585,288)
Shares in short position	<u>(18,968)</u>	<u>-</u>
	<u>(47,820,055,566)</u>	<u>(41,594,704,324)</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 19% 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 11,053,233,536 including interest payable of RR 108,233,536. The revaluation of the issued Notes in RR -1,060,264,795 (2018: 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). Interest with respect to the Notes in RR is at fixed rate between 0 and 19% 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 45,740,042,630 including interest payable of RR 280,953,119. The revaluation of the issued Notes in RR -5,183,572,965. The amortization of the discount on the issued Notes in RR -2,058,815,401, the amortization of premiums on issued Notes in RR 10,499,365. (2018: RUR 40,717,710,821 including interest payable of RUR 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). Interest with respect to the Notes in USD is at fixed rate between 0% and 16% per annum 1 time a year/2 times a year/4 times a year and they are repayable not later than 15 November 2027 (except one note which its repayment date is termless).

The Notes in EUR: a total amount of RR 3,121,576,604 including interest payable of RR 33,406,604. The revaluation of the issued Notes in RR -538,149,157 (2018: RR 242,558,444 including interest payable of RR 4,176,944; the revaluation of the issued Notes in RR -134,823,952). Interest with respect to the Note in EUR is at fixed rate between 3.5% and 11% per annum 2 times a year/4 times a year and it is repayable not later than 30 June 2024.

During the period ended 30 June 2019 the Company issued the following Notes:

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1927711454	XS1937694625
Currency	USD	USD
Nominal	25,000,000	20,000,000
Nature of the notes issued	First to Default Credit Linked Notes	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	7,25 per cent. Fixed Rate
Interest payment dates	Each 11 January and 11 July in each calendar year from (and including) 11 July 2019 up to (and including) the Scheduled Maturity Date	20 June 2019, 20 December 2019, 20 June 2020, 20 December 2020, 20 June 2021, 20 December 2021, 20 June 2022, 20 December 2022, 20 June 2023 and 20 December 2023
Details of the maturity dates of the Notes issued	11 January 2024	20 December 2023
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)	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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1943597994	XS1949598855
Currency	RUR	EUR
Nominal	500,000,000	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	11 per cent. Fixed Rate	2.5 per cent. per Interest Period
Interest payment dates	20 June 2019, 20 December 2019, 20 June 2020, 20 December 2020, 20 June 2021, 20 December 2021, 20 June 2022, 20 December 2022, 20 June 2023 and 20 December 2023	28 May, 28 August, 28 November and 28 February in each year, commencing on 28 May 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	20 December 2023	28 February 2022
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1953826978	XS1954534621
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)	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. per Interest Period	3 per cent. per Interest Period
Interest payment dates	2 October and 2 April in each year, commencing on 2 October 2019 up to and including the Maturity Date	3 July, 3 October, 3 January and 3 April in each year, commencing on 3 July 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	2 April 2022	3 April 2022
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1952156344	XS1960651641
Currency	EUR	EUR
Nominal	20,000,000	5,000,000
Nature of the notes issued	First to Default Credit Linked Notes	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, 4.50 per cent. per annum payable in arrear on each Interest Payment Date	In respect of each Interest Period, 3.50 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	Each 27 March and 27 September in each calendar year from (and including) 27 September 2019 up to (and including) the Scheduled Maturity Date.	Each 27 March and 27 September in each calendar year from (and including) 27 September 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	27 March 2024	27 June 2024
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)	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



## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1962541709	XS1963835902
Currency	USD	USD
Nominal	20,000,000	10,000,000
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	8.5 per cent. Fixed Rate	4 per cent. per Interest Period
Interest payment dates	30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023 and 30 June 2024	26 January, 26 April, 26 July and 26 October in each year, commencing on 26 July 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	30 June 2024	26 April 2024
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1967593796	XS1946763361
Currency	EUR	USD
Nominal	3,000,000	10,000,000
Nature of the notes issued	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	4.5 per cent. Fixed Rate	In respect of each Interest Period, 8.60 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023 and 30 June 2024	Each 27 June and 27 December in each calendar year from (and including) 27 June 2019 up to (and including) the Scheduled Maturity Date.
Details of the maturity dates of the Notes issued	30 June 2024	27 June 2024
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)	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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1982161603	XS1985081444
Currency	USD	RUR
Nominal	10,000,000	600,000,000
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	6 per cent. Fixed Rate	4.75 per cent. per Interest Period
Interest payment dates	30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023 and 30 June 2024	24 February, 24 May, 24 August and 24 November in each year, commencing on 24 August 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	30 June 2024	24 May 2024
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS1998798984	XS2004904285
Currency	EUR	USD
Nominal	7,000,000	10,000,000
Nature of the notes issued	Share Linked Notes (Autocall Standard Notes with Snowball Digital Coupon)	Share Linked Notes (Multi-chance Autocall Standard Notes with Snowball Digital Coupon)
Details of the interest rates on the Notes issued and whether they are fixed or floating rates	2.5 per cent. per Interest Period	3.5 cent. per Interest Period
Interest payment dates	20 March, 20 June, 20 September and 20 December in each year, commencing on 20 September 2019 up to and including the Maturity Date	30 September, 30 December, 30 March and 30 June in each year, commencing on 30 September 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	20 June 2022	30 June 2022
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS2009879425	XS2015214757
Currency	USD	USD
Nominal	10,000,000	10,000,000
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	6.25 per cent. Fixed Rate	4 per cent. per Interest Period
Interest payment dates	30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023 and 30 June 2024	17 January, 17 April, 17 July and 17 October in each year, commencing on 17 October 2019 up to and including the Maturity Date
Details of the maturity dates of the Notes issued	30 June 2024	17 July 2024
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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

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

ISIN	XS2019822357
Currency	USD
Nominal	10,000,000
Nature of the notes issued	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, 6.50 per cent. per annum payable in arrear on each Interest Payment Date
Interest payment dates	Each 27 June and 27 December in each calendar year from (and including) 27 December 2019 up to (and including) the Scheduled Maturity Date
Details of the maturity dates of the Notes issued	27 June 2024
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)
A description of the security, if any, pledged in connection with any Notes issued	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

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 24. Derivative financial instruments

	Assets	Liabilities	Assets	Liabilities
	30 JUNE 2019	30 JUNE 2019	31 DECEMBER 2018	31 DECEMBER 2018
	RR	RR	RR	RR
Foreign currency forward contracts	-	-	-	1,432,249
Other forward contracts	-	15,378,437,908	-	14,004,767,253
SWAPs	7,731,367,143	7,139,234,164	1,924,103,099	1,881,223,689
Options	-	87,924,233	-	-
	<u>7,731,367,143</u>	<u>22,605,596,305</u>	<u>1,924,103,099</u>	<u>15,887,423,191</u>

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

	Assets	Liabilities	Assets	Liabilities
	30 JUNE 2019	30 JUNE 2019	31 DECEMBER 2018	31 DECEMBER 2018
	RR	RR	RR	RR
Current	74,799,859	3,521,749,007	-	2,530,385,384
Non-current	<u>7,656,567,284</u>	<u>19,083,847,298</u>	<u>1,924,103,099</u>	<u>13,357,037,807</u>
	<u>7,731,367,143</u>	<u>22,605,596,305</u>	<u>1,924,103,099</u>	<u>15,887,423,191</u>

#### 25. Cash at bank and in hand

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Cash in hand	5,581	-
Cash at bank	<u>187,393,327</u>	<u>106,562,187</u>
	<u>187,398,908</u>	<u>106,562,187</u>

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

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Cash at bank and in hand	187,398,908	106,562,187
Bank overdrafts	<u>(79,000)</u>	<u>(87,407)</u>
	<u>187,319,908</u>	<u>106,474,780</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.

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 25. Cash at bank and in hand (continued)

##### Cash and cash equivalents by currency:

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
United States Dollars	96,177,000	11,806,426
Euro	8,476,472	10,058,478
British Pounds	180,515	231,238
Russian Roubles	82,485,921	84,378,638
	<u>187,319,908</u>	<u>106,474,780</u>

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

#### 26. Share capital

	2019 Number of shares	2019 EUR	2019 RR	2018 Number of shares	2018 EUR	2018 RR
<b>Authorised</b>						
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
<b>Issued and fully paid</b>						
Balance at 1 January	<u>15,000</u>	-	<u>1,886,692</u>	15,000	-	1,886,692
<b>Balance at 30 June/31 December</b>	<u>15,000</u>	-	<u>1,886,692</u>	15,000	-	1,886,692

#### 27. Trade and other payables

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Trade payables	15,699,047,888	14,220,999,182
Trade payables on REPO	210,984,501,422	154,732,097,720
VAT	920,934	522,005
Lease liability	1,041,143	-
Accruals	978,618	7,450,544
Other creditors	18,598	8,805,491
	<u>226,686,508,603</u>	<u>168,969,874,942</u>

#### 28. Refundable taxes

	30 JUNE 2019	31 DECEMBER 2018
	RR	RR
Special contribution for defence	1,324	1,465
Overseas tax	<u>2,372,973</u>	-
	<u>2,374,297</u>	<u>1,465</u>



## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 29. 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.

The following transactions were carried out with related parties:

#### 29.1 Rendering of services and other net gains

		<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	<u>Nature of transactions</u>	<b>RR</b>	RR
BrokerCreditService (Cyprus) Ltd	Interest income on overnight loans	<b>187,206</b>	262,035
	Net gain on trading in financial instruments	<b>759,739,518</b>	-
	Net gain realised on trading in foreign currencies	<b>5,651,281,781</b>	1,620,883,727
	Net gain on SWAP operations	<b>844,188,961</b>	-
BCS LLC	Interest on overnight loans	<b>2,155</b>	14
BCS Markets Ltd	Interest income on loans	<b>22,939,002</b>	21,959,901
Kertina Group Ltd	Interest income on loans	<b>74,550,994</b>	74,173,749
FG BCS Ltd	Interest income on loans	<b>104,589,192</b>	50,014,225
BCS Prime Brokerage Limited	Interest income	<b>63,955,848</b>	57,248,796
Seldthorn Private Equity Ltd	Interest income	-	8,204,713
Mikhasenko Oleg Vladimirovich	Interest income	<b>185,604,261</b>	648,937,672
		<b><u>7,707,038,918</u></b>	<b><u>2,481,684,832</u></b>

#### 29.2 Directors' remuneration

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

	<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	<b>RR</b>	RR
Directors' fees	<b>109,633</b>	-
Directors' remuneration	<b><u>7,168,659</u></b>	-
	<b><u>7,278,292</u></b>	-

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 29. Related party transactions (continued)

##### 29.3 Receiving of services and other net losses

		<b>For the period ended 30 June 2019</b>	For the period ended 30 June 2018
	<u>Nature of transactions</u>	<b>RR</b>	RR
BrokerCreditService (Cyprus) Ltd	Brokerage and other services	<b>621,745,338</b>	1,245,805,453
	Net loss on trading in financial instruments	<b>639,432,981</b>	3,013,699,592
	Financial result of SWAP operations (OTC)	-	67,838,126
	Tax withheld from sale of non-circulating shares	-	2,400
BCS LLC	Brokerage and other services	<b>708</b>	-
	Net loss on trading in financial instruments	<b>302,043,765</b>	-
BCS Bank	Bank charges	<b>462,681</b>	-
		<b><u>1,563,685,473</u></b>	<b><u>4,327,345,571</u></b>

##### 29.4 Receivables from related parties

		<b>30 JUNE 2019</b>	31 DECEMBER 2018
<u>Name</u>	<u>Nature of transactions</u>	<b>RR</b>	RR
BrokerCreditService (Cyprus) Ltd	Balances due from brokers	<b>3,291,063,840</b>	5,045,348,123
	Trade and other receivables	<b>7,646,600,213</b>	1,915,744,517
Annenkov Aleksey	Current account	<b>4,955</b>	-
		<b><u>10,937,669,008</u></b>	<b><u>6,961,092,640</u></b>

##### 29.5 Loans to related parties

		<b>30 JUNE 2019</b>	31 DECEMBER 2018
		<b>RR</b>	RR
BCS Markets Ltd		<b>1,264,275,502</b>	1,365,711,127
Oleg Mikhasenko		<b>1,840,543,668</b>	2,039,723,679
Kertina Group Ltd		<b>2,433,240,128</b>	1,865,682,567
BCS Prime Brokerage Ltd		<b>5,738,279,828</b>	3,178,415,100
FG BCS Ltd		<b>4,947,439,965</b>	970,867,508
		<b><u>16,223,779,091</u></b>	<b><u>9,420,399,981</u></b>

The loans to related companies carry interest at rates ranging from 1% to 8.87% (2018: 1% - 11%).

## BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

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### NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

Period from 1 January 2019 to 30 June 2019

#### 29. Related party transactions (continued)

##### 29.6 Payables to related parties

Name	Nature of transactions	30 JUNE 2019	31 DECEMBER
		RR	2018 RR
BrokerCreditService (Cyprus) Ltd	Broker commission	128,434,583	253,385,836
	Brokerage account	12,050,290,230	21,822,508,553
	Trade and other payables	7,515,444,367	2,870,919,718
FG BCS Ltd	Dividends payable	-	6,500,000,000
BCS Americas Inc	Broker commission	38,137,203	-
		<u>19,732,306,383</u>	<u>31,446,814,107</u>

##### 29.7 Shareholders' current accounts - credit balances

	30 JUNE 2019	31 DECEMBER
	RR	2018 RR
Evgenios Bagiazidis	-	1,613
	<u>-</u>	<u>1,613</u>

#### 30. Comparatives adjustments

During the period the parent company has decided to reclassify Combined Closed-end mutual Fund "FNB Business" from financial asset at FVTOCI to investment in associate. The Company measures the associate at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. In that respect the fair value reserve was transferred to retained earnings. The relevant reclassifications were made to comparative information as well.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **31. 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.

## **BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC**

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### **NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

Period from 1 January 2019 to 30 June 2019

#### **31. 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.

#### **32. Commitments**

The Group had no capital or other commitments as at 30 June 2019.

#### **33. Events after the reporting period**

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

**Independent auditor's report on pages 9 to 10**