

**INZHSYSTEMS LTD**

REPORT AND FINANCIAL STATEMENTS  
Period from 8 November 2017 to 31 December  
2018

# INZHSYSTEMS LTD

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## REPORT AND FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

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# INZHSYSTEMS LTD

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## BOARD OF DIRECTORS AND OTHER OFFICERS

|                              |  |
|------------------------------|--|
| <b>Board of Directors:</b>   | Speedy Director Solutions Limited (appointed on 8 November 2017 and resigned on 1 March 2018)<br><br>Andreas Malas (appointed on 1 March 2018) |
| <b>Company Secretary:</b>    | Speedy Secretarial Solutions (appointed on 8 November 2017)  |
| <b>Independent Auditors:</b> | FINCAP Advisers Ltd  |
| <b>Registered office:</b>    | 24 Piraeus street<br>1st floor, flat/office 103<br>2023 Strovolos<br>Nicosia, Cyprus   |
| <b>Bankers:</b>              | Bank of Cyprus Public Company Ltd  |
| <b>Registration number:</b>  | HE375913   |

# INZHSYSTEMS LTD

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## MANAGEMENT REPORT

The sole Director presents his first report and audited financial statements of the Company for the period from 8 November 2017 to 31 December 2018.

### **Incorporation**

Inzhsystems Ltd was incorporated in Cyprus on 8 November 2017 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

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

The principal activity of the Company is the raising of finance through the issuance of Bonds and their Admission to trading on the Emerging Companies Market (E.C.M) of the Cyprus Stock Exchange (CSE) and the simultaneous financing of the operations of LLC InzhSistemy.

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

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

### **Principal risks and uncertainties**

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

### **Future developments of the Company**

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

The Company expects to issue and admit to trading on the Cyprus Stock Exchange's Emerging Companies Market, additional 19,800 non-secured, non-guaranteed 3% coupon bonds, with nominal value of €1,000 each, for a total consideration of €19,800,000, over a period of 12 months from the date of the initial admission.

### **Results**

The Company's results for the period are set out on page 8. The net loss for the period is carried forward.

### **Share capital**

#### **Authorised capital**

Under its Memorandum the Company fixed its share capital at 1,000 ordinary shares of nominal value of €1 each.

#### **Issued capital**

Upon incorporation on 8 November 2017 the Company issued to the subscribers of its Memorandum of Association 100 ordinary shares of €1 each at par.

#### **Corporate Governance Code**

The Board of Directors, as at the date of this report has not decided to adopt the Corporate Governance Code.

#### **Board of Directors**

The sole member of the Company's Board of Directors as at 31 December 2018 and at the date of this report is presented on page 1.

- Speedy Director Solutions Limited was appointed director at the date of incorporation and resigned on 1 March 2018 and on the same date Mr. Andreas Malas was appointed in their place.

In accordance with the Company's Articles of Association the sole Director presently member of the Board continues in office.

#### **Events after the reporting period**

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

#### **Related party transactions**

Disclosed in note 15 of the financial statements.

# INZHSYSTEMS LTD

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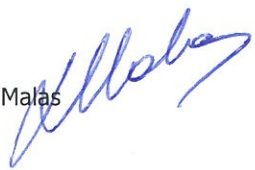
## MANAGEMENT REPORT

### **Independent Auditors**

The Independent Auditors, FINCAP Advisers 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,

Andreas Malas  
Director



Nicosia, 30 April 2019

# INZHSYSTEMS LTD

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the financial statements of Inzhsystems Ltd (the "Company") for the period from 08 November 2017 to 31 December 2018, on the basis of our knowledge, declare that:

(a) The annual financial statements of the Company which are presented on pages 8 to 24:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Company 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 Company as a whole, together with a description of the main risks and uncertainties which they face.

### Members of the Board of Directors:

Andreas Malas



### Responsible for drafting the financial statements

Andreas Malas (Director)



Nicosia, 30 April 2019

## **Independent Auditor's Report**

### **To the Members of Inzhsystems Ltd**

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

#### **Opinion**

We have audited the financial statements of parent company Inzhsystems Ltd (the "Company"), which are presented in pages 8 to 24 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 8 November 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Inzhsystems Ltd as at 31 December 2018, and of its financial performance and its cash flows for the period from 8 November 2017 to 31 December 2018 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Board of Directors and those charged with governance for the Financial Statements**

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



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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





## **Report on Other Legal Requirements**

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

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

## **Other Matter**

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

The engagement partner on the audit resulting in this independent auditor's report is Constantinos G. Mitsingas.

Constantinos G. Mitsingas  
Certified Public Accountant and Registered Auditor  
for and on behalf of

## **FINCAP Advisers Ltd**

Certified Public Accountants and Registered Auditors  
24 Piraeus street  
Floor 1, office 101  
2023, Strovolos  
Nicosia, Cyprus

Nicosia, 30 April 2019

## INZHSYSTEMS LTD

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

Period from 8 November 2017 to 31 December 2018

|  |      | 08/11/2017 -<br>31/12/2018 |
|--|------|----------------------------|
|  | Note | €                          |
| Administration expenses                          |      | <u>(8,488)</u>             |
| <b>Operating loss</b>                            |      | <b>(8,488)</b>             |
| Finance costs                                    | 9    | <u>(742)</u>               |
| <b>Loss before tax</b>                           |      | <b>(9,230)</b>             |
| Tax  | 10   | <u>-</u>                   |
| <b>Net loss for the period</b>                   |      | <b>(9,230)</b>             |
| <b>Other comprehensive income</b>                |      | <u>-</u>                   |
| <b>Total comprehensive income for the period</b> |      | <u><u>(9,230)</u></u>      |

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The notes on pages 12 to 24 form an integral part of these financial statements.

# INZHSYSTEMS LTD

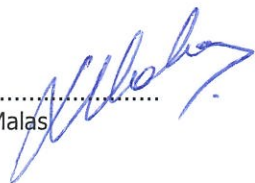
## STATEMENT OF FINANCIAL POSITION

31 December 2018

|  | Note | 2018<br>€             |
|--|------|-----------------------|
| <b>ASSETS</b>                              |      |                       |
| <b>Non-current assets</b>                  |      |                       |
| Investments in subsidiaries                | 11   | <u>763</u>            |
|  |      | <u>763</u>            |
| <b>Current assets</b>                      |      |                       |
| Receivables from related party             | 15   | <u>200,000</u>        |
|  |      | <u>200,000</u>        |
| <b>Total assets</b>                        |      | <u><u>200,763</u></u> |
| <b>EQUITY AND LIABILITIES</b>              |      |                       |
| <b>Equity</b>                              |      |                       |
| Share capital                              | 12   | 100                   |
| Accumulated losses                         |      | <u>(9,230)</u>        |
| <b>Total equity</b>                        |      | <u>(9,130)</u>        |
| <b>Non-current liabilities</b>             |      |                       |
| Borrowings                                 | 13   | <u>200,575</u>        |
|  |      | <u>200,575</u>        |
| <b>Current liabilities</b>                 |      |                       |
| Trade and other payables                   | 14   | 8,138                 |
| Payables to own subsidiary                 | 15   | 763                   |
| Owners' current accounts - credit balances | 15   | 250                   |
| Borrowings                                 | 13   | <u>167</u>            |
|  |      | <u>9,318</u>          |
| <b>Total equity and liabilities</b>        |      | <u><u>200,763</u></u> |

On 30 April 2019 the Board of Directors of Inzhsystems Ltd authorised these financial statements for issue.

.....  
Andreas Malas  
Director



The notes on pages 12 to 24 form an integral part of these financial statements.

# INZHSYSTEMS LTD

## STATEMENT OF CHANGES IN EQUITY

Period from 8 November 2017 to 31 December 2018

|                                    | Note | Share capital<br>€ | Accumulated losses<br>€ | Total<br>€     |
|------------------------------------|------|--------------------|-------------------------|----------------|
| <b>Comprehensive income</b>        |      |                    |                         |                |
| Net loss for the period            |      | -                  | (9,230)                 | (9,230)        |
| <b>Transactions with owners</b>    |      |                    |                         |                |
| Issue of share capital             | 12   | 100                | -                       | 100            |
| <b>Balance at 31 December 2018</b> |      | <b>100</b>         | <b>(9,230)</b>          | <b>(9,130)</b> |

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

The notes on pages 12 to 24 form an integral part of these financial statements.

# INZHSYSTEMS LTD

## CASH FLOW STATEMENT

Period from 8 November 2017 to 31 December 2018

|   | 08/11/2017 -<br>31/12/2018 |
|---|----------------------------|
|   | €                          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |                            |
| <b>Loss before tax</b>                                | <b>(9,230)</b>             |
| Adjustments for:                                      |                            |
| Interest expense                                      | 9 <u>16</u>                |
|   | <b>(9,214)</b>             |
| <b>Changes in working capital:</b>                    |                            |
| Increase in receivables from related companies        | <b>(200,000)</b>           |
| Increase in owners' current accounts                  | <b>250</b>                 |
| Increase in trade and other payables                  | <b>8,138</b>               |
| Increase in payables to own subsidiary                | <u><b>763</b></u>          |
| <b>Cash used in operations</b>                        | <u><b>(200,063)</b></u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |                            |
| Payment for purchase of investments in subsidiary     | 11 <u><b>(763)</b></u>     |
| <b>Net cash used in investing activities</b>          | <u><b>(763)</b></u>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |                            |
| Proceeds from issue of share capital                  | <b>100</b>                 |
| Proceeds from borrowings                              | <b>200,575</b>             |
| Interest paid   | <u><b>(16)</b></u>         |
| <b>Net cash generated from financing activities</b>   | <u><b>200,659</b></u>      |
| <b>Net decrease in cash and cash equivalents</b>      | <b>(167)</b>               |
| Cash and cash equivalents at beginning of the period  | <u><b>-</b></u>            |
| <b>Cash and cash equivalents at end of the period</b> | <u><u><b>(167)</b></u></u> |

The notes on pages 12 to 24 form an integral part of these financial statements.

# INZHSYSTEMS LTD

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## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 1. Incorporation and principal activities

#### Country of incorporation

Inzhsystems Ltd (the "Company") was incorporated in Cyprus on 8 November 2017 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 24 Piraeus street, 1st floor, flat/office 103, 2023 Strovolos, Nicosia, Cyprus.

#### Principal activities

The principal activity of the Company is the raising of finance through the issuance of Bonds and their Admission to trading on the Emerging Companies Market (E.C.M) of the Cyprus Stock Exchange (CSE) and the simultaneous financing of the operations of LLC InzhSistemy.

### 2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a medium sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the period from 08 November 2017 to 31 December 2018.

The European Commission has concluded that since parent companies are required by the EU Accounting (2013/34/EU) Directive to prepare separate financial statements and since the Cyprus Companies Law, Cap.113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IFRS 10 "Consolidated Financial statements" requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

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

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

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 08 November 2017.

### 4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 4. Significant accounting policies (continued)

#### Subsidiary companies (continued)

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

#### Finance costs

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

#### Foreign currency translation

##### (1) Functional and presentation currency

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

##### (2) Transactions and balances

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

#### Financial assets - Classification

From 1 January 2018, the Company 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 Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company 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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 4. Significant accounting policies (continued)

#### Financial assets - Measurement

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company 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 statement of profit or loss and other 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 statement of profit or loss and other comprehensive income.

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

#### Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company'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 Company'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 statement of profit or loss and other 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.



## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 4. Significant accounting policies (continued)

#### Financial assets - impairment - credit loss allowance for Expected Credit Loss (ECL)

From 1 January 2018, the Company 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 Company 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 statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the 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 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 Company 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 Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

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

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 4. Significant accounting policies (continued)

#### **Financial assets - write-off**

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

#### **Financial assets - modification**

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company 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 Company 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 Company also assesses whether the new loan or debt instrument meets the Solely Payments of Principal and Interest (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 Company 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 Company 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.

#### **Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

#### **Financial assets at amortised cost**

These amounts generally arise from transactions outside the usual operating activities of the Company. 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 4. Significant accounting policies (continued)

#### **Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

#### **Trade payables**

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

#### **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the 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 statement of financial position.

#### **Share capital**

Ordinary shares are classified as equity.

#### **Provisions**

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

#### **Non-current liabilities**

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

### 5. New accounting pronouncements

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

# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 6. Financial risk management

#### Financial risk factors

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

#### 6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

|                                  |                         |
|----------------------------------|-------------------------|
|                                  | <b>2018</b>             |
|                                  | <b>€</b>                |
| <b>Fixed rate instruments</b>    |                         |
| Financial liabilities            | <b>(200,000)</b>        |
| <b>Variable rate instruments</b> |                         |
| Financial liabilities            | <b>(167)</b>            |
|                                  | <b><u>(200,167)</u></b> |

#### Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2018 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

|                           | <b>Equity</b>     | <b>Profit or loss</b> |
|---------------------------|-------------------|-----------------------|
|                           | <b>2018</b>       | <b>2018</b>           |
|                           | <b>€</b>          | <b>€</b>              |
| Variable rate instruments | <b><u>(2)</u></b> | <b><u>(2)</u></b>     |

#### 6.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

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

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

- financial assets at amortised cost
- cash and cash equivalents

# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 6. Financial risk management (continued)

#### 6.3 Liquidity risk

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

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

| <b>31 December<br/>2018</b>    | Carrying<br>amounts | Contractual<br>cash flows | 3 months or<br>less | 3-12 months  | 1-2 years    | 2-5 years      | More than<br>5 years |
|--------------------------------|---------------------|---------------------------|---------------------|--------------|--------------|----------------|----------------------|
|                                | €                   | €                         | €                   | €            | €            | €              | €                    |
| Other loans                    | 200,575             | 230,000                   | -                   | 6,000        | 6,000        | 218,000        | -                    |
| Bank overdrafts                | 167                 | 167                       | 167                 | -            | -            | -              | -                    |
| Trade and other<br>payables    | 5,137               | 5,137                     | 5,137               | -            | -            | -              | -                    |
| Payables to related<br>parties | 1,013               | 1,013                     | 1,013               | -            | -            | -              | -                    |
|                                | <b>206,892</b>      | <b>236,317</b>            | <b>6,317</b>        | <b>6,000</b> | <b>6,000</b> | <b>218,000</b> | <b>-</b>             |

#### 6.4 Capital risk management

Capital includes equity shares.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

### 7. Critical accounting estimates and judgments

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

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

# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

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

#### *Judgments*

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

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries 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 subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries 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 Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

### 8. Expenses by nature

|   | 08/11/2017 -<br>31/12/2018 |
|---|----------------------------|
|   | €                          |
| Auditors' remuneration for the statutory audit of annual accounts | 3,000                      |
| Other expenses  | <u>5,488</u>               |
| <b>Total expenses</b>   | <b><u>8,488</u></b>        |

### 9. Finance costs

|                         | 08/11/2017 -<br>31/12/2018 |
|-------------------------|----------------------------|
|                         | €                          |
| Interest expense        | 577                        |
| Sundry finance expenses | <u>165</u>                 |
| <b>Finance costs</b>    | <b><u>742</u></b>          |

# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 10. Tax

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

|  | 08/11/2017 -<br>31/12/2018<br>€ |
|--|---------------------------------|
| Loss before tax  | <u>(9,230)</u>                  |
| Tax calculated at the applicable tax rates             | (1,154)                         |
| Tax effect of expenses not deductible for tax purposes | 44                              |
| Tax effect of tax loss for the period                  | <u>1,110</u>                    |
| <b>Tax charge</b>                                      | <u>-</u>                        |

The corporation tax rate is 12,5%.

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

Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

### 11. Investments in subsidiaries

|                               | 2018<br>€         |
|-------------------------------|-------------------|
| Balance at 08 November        | -                 |
| Additions                     | <u>763</u>        |
| <b>Balance at 31 December</b> | <u><u>763</u></u> |

The details of the subsidiaries are as follows:

| <u>Name</u>     | <u>Country of<br/>incorporation</u> | <u>Principal activities</u> | Holding<br>% | 2018<br>€         |
|-----------------|-------------------------------------|-----------------------------|--------------|-------------------|
| LLC InzhSistemy | Russia                              | Energy - saving activities  | 99           | <u>763</u>        |
|                 |                                     |                             |              | <u><u>763</u></u> |

On 1 August 2018, the Company acquired the 99% of LLC InzhSistemy , for a consideration of Rubles 58.410.

### 12. Share capital

|                               | 2018<br>Number of<br>shares | 2018<br>€         |
|-------------------------------|-----------------------------|-------------------|
| <b>Authorised</b>             |                             | €                 |
| Ordinary shares of €1 each    | <u>1,000</u>                | <u>1,000</u>      |
| <b>Issued and fully paid</b>  |                             | €                 |
| Issue of shares               | <u>100</u>                  | <u>100</u>        |
| <b>Balance at 31 December</b> | <u><u>100</u></u>           | <u><u>100</u></u> |

# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 12. Share capital (continued)

#### Authorised capital

Under its Memorandum the Company fixed its share capital at 1.000 ordinary shares of nominal value of €1 each.

#### Issued capital

Upon incorporation on 8 November 2017 the Company issued to the subscribers of its Memorandum of Association 100 ordinary shares of €1 each at par.

### 13. Borrowings

|                               | 2018<br>€             |
|-------------------------------|-----------------------|
| <b>Current borrowings</b>     |                       |
| Bank overdrafts               | 167                   |
| <b>Non-current borrowings</b> |                       |
| Other loans                   | <u>200,575</u>        |
| <b>Total</b>                  | <u><u>200,742</u></u> |

On 27 November 2018, the Company issued 200 non-secured, non-guaranteed 3% coupon bonds, with nominal value of €1.000 each, for a total consideration of €200.000, due on 31 December 2023, that have been admitted to trading on the Cyprus Stock Exchange's Emerging Companies Market.

The bonds bear interest of 3%, payable annually on 31 December of each year on their nominal value.

### 14. Trade and other payables

|                | 2018<br>€           |
|----------------|---------------------|
| Trade payables | 5,137               |
| Accruals       | <u>3,001</u>        |
|                | <u><u>8,138</u></u> |

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

### 15. Related party transactions

The Ultimate Beneficial Owner is Mr. Oleg Korob, who owns 100% of the Company's shares.

The following transactions were carried out with related parties:

#### 15.1 Receivables from related parties

| <u>Name</u>                           | <u>Nature of transactions</u> | 2018<br>€             |
|---------------------------------------|-------------------------------|-----------------------|
| Investicionajja Companija Inevika Ltd | Finance                       | <u>200,000</u>        |
|                                       |                               | <u><u>200,000</u></u> |

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



# INZHSYSTEMS LTD

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### 15. Related party transactions (continued)

#### 15.2 Payables to related parties

| <u>Name</u>     | <u>Nature of transactions</u> | <b>2018</b>       |
|-----------------|-------------------------------|-------------------|
| LLC Inzhsistemy | Finance                       | €<br><u>763</u>   |
|                 |                               | <u><u>763</u></u> |

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

#### 15.3 Owners' current accounts - credit balances

|                | <b>2018</b>       |
|----------------|-------------------|
| Mr. Oleg Korob | €<br><u>250</u>   |
|                | <u><u>250</u></u> |

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

### 16. Participation of Directors in the company's share capital

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors (in accordance with Article (4) (b) of the Directive DI 190-2007-04), as at 31 December 2018 and 25 April 2019 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

|               | <b>31 December</b> |                      |
|---------------|--------------------|----------------------|
|               | <b>2018</b>        | <b>25 April 2019</b> |
|               | %                  | %                    |
| Andreas Malas | -                  | -                    |

### 17. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2018 and 25 April 2019 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

|            | <b>31 December</b> |                      |
|------------|--------------------|----------------------|
|            | <b>2018</b>        | <b>25 April 2019</b> |
|            | %                  | %                    |
| Oleg Korob | 100                | 100                  |

### 18. Significant agreements with management

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

### 19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

### 20. Commitments

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

### 21. Events after the reporting period

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

## NOTES TO THE FINANCIAL STATEMENTS

Period from 8 November 2017 to 31 December 2018

### **21. Events after the reporting period (continued)**

On 21 March 2019, the Company get the approval from the Cyprus Stock Exchange (CSE), for the issuance and listing of 200 non-guaranteed and non-secured bonds, with nominal value of €1.000 each, for a total consideration of €200.000, that will be admitted to trading on the Cyprus Stock Exchange's Emerging Companies Market. The issue of additional bonds will be added to the existing 200 bonds.

The bonds will bear interest of 3%, payable annually on 31 December of each year on their nominal value.

# INZHSYSTEMS LTD

## COMPUTATION OF CORPORATION TAX

Period from 8 November 2017 to 31 December 2018

|                               |           |            |  |
|-------------------------------|-----------|------------|--|
| Net loss per income statement | Page<br>8 | €          | €  |
| <u>Add:</u>                   |           |            | (9,230)                                    |
| Annual levy                   |           | <u>350</u> |  |
| <b>Net loss for the year</b>  |           |            | <u><u>350</u></u><br><u><u>(8,880)</u></u> |

### CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD

| Tax year | Profits/(losses)<br>for the tax year | Gains Offset |      | Gains Offset |      | Gains Offset |      |
|----------|--------------------------------------|--------------|------|--------------|------|--------------|------|
|          |                                      | €            | Year | €            | Year | €            | Year |
| 2013     | -                                    | -            |      | -            |      | -            |      |
| 2014     | -                                    | -            |      | -            |      | -            |      |
| 2015     | -                                    | -            |      | -            |      | -            |      |
| 2016     | -                                    | -            |      | -            |      | -            |      |
| 2017     | -                                    | -            |      | -            |      | -            |      |
| 2018     | (8,880)                              | -            |      | -            |      | -            |      |

Net loss carried forward (8,880)

# INZHSYSTEMS LTD

24 Piraeus street  
1st floor, flat/office 103  
2023 Strovolos  
Nicosia, Cyprus

HE 375913

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## REPORT AND FINANCIAL STATEMENTS

The Management Report , the Auditor's report and the Financial Statements of the company for the period from 8 November 2017 to 31 December 2018 are true copies of those presented at the Annual General Meeting that took place on 30 April 2019.

Signature .....  
Andreas Malas  
Director

Signature .....  
Speedy Secretarial Solutions  
Secretary