

M.C. FANDEOS Co LTD

Chartered Certified Accountants

**FAIRWAY INVESTMENT OVERSEAS
LIMITED**

REPORT AND FINANCIAL STATEMENTS
31 December 2016

Not for official use

Head Office Limassol: 172, Archiepiscopou Makariou III
Ave., Melford Tower, 4th/ 5th floor, 3027 Limassol, Cyprus
Tel.: +357 25 024 500 | Fax: +357 25 029 321

Nicosia Branch: 41, Themistokli Dervi Str., Hawai Tower
Office 207, 1066 Nicosia, Cyprus
Tel.: +357 22 780 080

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FAIRWAY INVESTMENT OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2016

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FAIRWAY INVESTMENT OVERSEAS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Michailina Zinonos
Iosif Bakaleynik (Appointed on 13 March 2017)
Thomas A Grolimund (Resigned on 13 March 2017)

Company Secretary:

WCS - Worldwide Corporate Secretarial Ltd

Independent Auditors:

M.C. FANDEOS CO LTD
CHARTERED CERTIFIED ACCOUNTANTS
172, Archiepiscopou Makariou III Ave.
Melford Tower, 4th floor
3027 Limassol
Cyprus

Registered office:

32 Kritis street
Papachristoforou Building, 4th floor
3087
Limassol, Cyprus

FAIRWAY INVESTMENT OVERSEAS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2016.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of financial services and trading of financial assets.

Review of current position, future developments and significant risks

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

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results

The Company's results for the year are set out on page 5.

Dividends

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

Share capital

Authorised capital

On 29 November 2016 the authorised share capital of the Company was increased by an additional 5,000 of €1.71.

Issued capital

On 29 November 2016, the Company increase it issued capital by issuing 50 additional shares of €1.71 issued at a premium of €49,998.29 each.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2016.

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

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

Independent Auditors

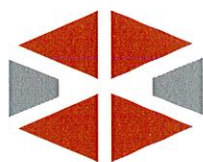
The Independent Auditors, M.C. FANDEOS CO LTD, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Michailina Zinonos
Director

Limassol, 18 August 2017



M.C. FANDEOS Co LTD

Chartered Certified Accountants

Independent auditor's report

To the Members of Fairway Investment Overseas Limited

Report on the financial statements

We have audited the financial statements of Fairway Investment Overseas Limited (the "Company") on pages 5 to 18 which comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility 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.

Auditor's responsibility

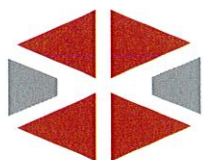
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fairway Investment Overseas Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.



M.C. FANDEOS Co LTD

Chartered Certified Accountants

Independent auditor's report (continued)

To the Members of Fairway Investment Overseas Limited

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Marios C. Fandeos
Certified Public Accountant and Registered Auditor
for and on behalf of

M.C. FANDEOS CO LTD
CHARTERED CERTIFIED ACCOUNTANTS

Limassol, 18 August 2017

FAIRWAY INVESTMENT OVERSEAS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 US\$	2015 US\$
Interest income		405,705	382,262
Interest expense		(596,487)	(584,561)
Gross loss		(190,782)	(202,299)
Other income	4	381	-
Administration expenses		(27,253)	(13,501)
Other expenses	5	(74,070)	-
Operating loss		(291,724)	(215,800)
Finance income	6	438,374	-
Finance costs	6	(4,826)	(581,408)
Profit/(loss) before tax		141,824	(797,208)
Tax	7	-	-
Net profit/(loss) for the year		141,824	(797,208)
Other comprehensive income		-	-
Total comprehensive income for the year		141,824	(797,208)

The notes on pages 9 to 18 form an integral part of these financial statements.

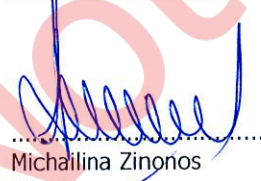
FAIRWAY INVESTMENT OVERSEAS LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	2016 US\$	2015 US\$
ASSETS			
Non-current assets			
Investments in associates	8	-	283,712
Non-current loans receivable	9	<u>1,978,158</u>	<u>2,826,063</u>
		<u>1,978,158</u>	<u>3,109,775</u>
Current assets			
Receivables	10	<u>223,948</u>	<u>4,317</u>
Refundable taxes	15	<u>1,040</u>	<u>1,079</u>
Cash at bank	11	<u>1,629,127</u>	<u>86,217</u>
		<u>1,854,115</u>	<u>91,613</u>
Total assets		<u>3,832,273</u>	<u>3,201,388</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	<u>2,039</u>	<u>1,948</u>
Share premium		<u>2,654,384</u>	<u>-</u>
Accumulated losses		<u>(3,362,381)</u>	<u>(3,504,205)</u>
Total equity		<u>(705,958)</u>	<u>(3,502,257)</u>
Non-current liabilities			
Borrowings	13	<u>-</u>	<u>6,692,276</u>
		<u>-</u>	<u>6,692,276</u>
Current liabilities			
Trade and other payables	14	<u>2,635</u>	<u>11,366</u>
Borrowings	13	<u>4,535,596</u>	<u>3</u>
		<u>4,538,231</u>	<u>11,369</u>
Total liabilities		<u>4,538,231</u>	<u>6,703,645</u>
Total equity and liabilities		<u>3,832,273</u>	<u>3,201,388</u>

On 18 August 2017 the Board of Directors of Fairway Investment Overseas Limited authorised these financial statements for issue.


Michailina Zinonos
Director

.....
Iosif Bakaleynik
Director

The notes on pages 9 to 18 form an integral part of these financial statements.

FAIRWAY INVESTMENT OVERSEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Share capital US\$	Share premium US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2015		1,948	-	(2,706,997)	(2,705,049)
Net loss for the year		-	-	(797,208)	(797,208)
Balance at 31 December 2015/ 1 January 2016		1,948	-	(3,504,205)	(3,502,257)
Net profit for the year		-	-	141,824	141,824
Transactions with owners					
Issue of share capital	12	91	2,654,384	-	2,654,475
Balance at 31 December 2016		2,039	2,654,384	(3,362,381)	(705,958)

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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 9 to 18 form an integral part of these financial statements.

FAIRWAY INVESTMENT OVERSEAS LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2016

	Note	2016 US\$	2015 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		141,824	(797,208)
Adjustments for:			
Unrealised exchange (profit)/loss		(438,374)	650,015
Loss from the sale of investments in associated undertakings		73,552	-
Interest income		(405,705)	(382,262)
Interest expense	6	<u>596,487</u>	<u>584,724</u>
		(32,216)	55,269
Changes in working capital:			
(Increase)/decrease in receivables		(9,432)	247
Decrease in trade and other payables		<u>(8,731)</u>	<u>(1,064)</u>
Cash (used in)/generated from operations		(50,379)	54,452
Interest received		405,705	134,830
Tax paid		<u>-</u>	<u>(2,457)</u>
Net cash generated from operating activities		<u>355,326</u>	<u>186,825</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		-	(1,459,728)
Loans repayments received		<u>847,905</u>	<u>682,386</u>
Net cash generated from/(used in) investing activities		<u>847,905</u>	<u>(777,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		2,654,475	-
Repayments of borrowings		(2,156,680)	(41,901)
Proceeds from borrowings		-	200,000
Unrealised exchange profit		438,374	-
Interest paid		<u>(596,487)</u>	<u>(373,205)</u>
Net cash generated from/(used in) financing activities		<u>339,682</u>	<u>(215,106)</u>
Net increase/(decrease) in cash and cash equivalents		1,542,913	(805,623)
Cash and cash equivalents at beginning of the year		<u>86,214</u>	<u>891,837</u>
Cash and cash equivalents at end of the year	11	<u>1,629,127</u>	<u>86,214</u>

The notes on pages 9 to 18 form an integral part of these financial statements.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. Incorporation and principal activities

Country of incorporation

The Company Fairway Investment Overseas Limited (the "Company") was incorporated in Cyprus on 29 September 2003 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 32 Kritis street, Papachristoforou Building, 4th floor, 3087, Limassol, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of financial services and trading of financial assets.

2. Accounting policies

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

Basis of preparation

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

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.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

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.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Income from investments in securities**

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

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

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2016 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Interest income**

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

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

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 United States Dollars (US\$), 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.

Dividends

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

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Accounting policies (continued)

Financial instruments

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

Loans granted

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

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

Financial assets

(1) Classification

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

- Loans and receivables

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

(2) Recognition and measurement

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

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

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Accounting policies (continued)

Financial instruments (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.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

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. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

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

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Financial risk management

Financial risk factors

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

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. 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.

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

3.3 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.

3.4 Currency risk

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

3.5 Capital risk management

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

4. Other income

	2016 US\$	2015 US\$
Forgiveness of debt	115	-
Sundry operating income	266	-
	<u>381</u>	<u>-</u>

5. Other expenses

	2016 US\$	2015 US\$
Prior year adjustment	518	-
Loss from sale of investments in associates	73,552	-
	<u>74,070</u>	<u>-</u>

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

6. Finance income/cost

	2016 US\$	2015 US\$
Exchange profit	438,374	-
Finance income	438,374	-
Net foreign exchange transaction losses	-	(574,888)
Interest expense	-	(163)
Sundry finance expenses	(4,826)	(6,357)
Finance costs	(4,826)	(581,408)
Net finance income/(cost)	433,548	(581,408)

7. Tax

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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Due to tax losses sustained in the year, 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

8. Investments in associates

	2016 US\$	2015 US\$
Balance at 1 January	283,712	283,712
Disposals	(283,712)	-
Balance at 31 December	-	283,712

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>
JSC "Vladimirskaia Lisingovaya Kompaniya"	Russian Federation	Financial Leasing	0

9. Non-current loans receivable

	2016 US\$	2015 US\$
Loans receivable	1,978,158	2,826,063
	1,978,158	2,826,063

The loans are repayable as follows:

	2016 US\$	2015 US\$
Between one and five years	1,978,158	2,826,063

The fair value of receivable loans approximates to their carrying amounts as presented above.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

9. Non-current loans receivable (continued)

10. Receivables

	2016 US\$	2015 US\$
Shareholders' current accounts - debit balances (Note 16.1)	223,635	3,992
Deposits and prepayments	313	325
	<u>223,948</u>	<u>4,317</u>

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

11. Cash at bank

	2016 US\$	2015 US\$
Cash at bank	1,629,127	86,217
	<u>1,629,127</u>	<u>86,217</u>

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

	2016 US\$	2015 US\$
Cash at bank and in hand	1,629,127	86,217
Bank overdrafts (Note 13)	-	(3)
	<u>1,629,127</u>	<u>86,214</u>

12. Share capital

	2016 Number of shares	2016 US\$	2015 Number of shares	2015 US\$
Authorised				
Ordinary shares of €1.71 each	<u>6,000</u>	-	<u>1,000</u>	-
Issued and fully paid				
Balance at 1 January	1,000	1,948	1,000	1,948
Issue of shares	<u>50</u>	<u>91</u>	-	-
Balance at 31 December	<u>1,050</u>	<u>2,039</u>	<u>1,000</u>	<u>1,948</u>

Authorised capital

On 29 November 2016 the authorised share capital of the Company was increased by an additional 5,000 of €1.71.

Issued capital

On 29 November 2016, the Company increase it issued capital by issuing 50 additional shares of €1.71 issued at a premium of €49,998.29 each.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

13. Borrowings

	2016 US\$	2015 US\$
Current borrowings		
Bank overdrafts (Note 11)	-	3
Other loans	4,535,596	-
Non-current borrowings		
Other loans	-	6,692,276
Total	4,535,596	6,692,279

Maturity of non-current borrowings:

	2016 US\$	2015 US\$
Between two and five years	-	6,692,276

14. Trade and other payables

	2016 US\$	2015 US\$
Accruals	2,635	1,366
Other creditors	-	10,000
	2,635	11,366

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

15. Refundable taxes

	2016 US\$	2015 US\$
Corporation tax	(1,040)	(1,079)
	(1,040)	(1,079)

16. Related party transactions

The following transactions were carried out with related parties:

16.1 Shareholders' current accounts - debit balances (Note 10)

	2016 US\$	2015 US\$
Shareholders' current accounts - debit balances	223,635	3,992
	223,635	3,992

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

17. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2016.

FAIRWAY INVESTMENT OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

18. Commitments

The Company had no capital or other commitments as at 31 December 2016.

19. Events after the reporting period

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

Independent auditor's report on pages 3 and 4

FAIRWAY INVESTMENT OVERSEAS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2016

	Page	2016 US\$	2015 US\$
Revenue			
Interest income		405,705	382,262
Interest expense		(596,487)	(584,561)
		<u>(190,782)</u>	<u>(202,299)</u>
Gross loss			
Other operating income			
Sundry operating income		266	-
Forgiveness of debt		115	-
		<u>(190,401)</u>	<u>(202,299)</u>
Operating expenses			
Administration expenses	20	(27,253)	(13,501)
		<u>(217,654)</u>	<u>(215,800)</u>
Other operating expenses			
Prior year adjustment		(518)	-
Loss from sale of investments in associates		(73,552)	-
		<u>(291,724)</u>	<u>(215,800)</u>
Operating loss			
Finance income	21	438,374	-
Finance costs	21	(4,826)	(581,408)
		<u>141,824</u>	<u>(797,208)</u>
Net profit/(loss) for the year before tax			

FAIRWAY INVESTMENT OVERSEAS LIMITED

SELLING AND DISTRIBUTION EXPENSES

Year ended 31 December 2016

	2016 US\$	2015 US\$
Administration expenses		
Licenses and taxes	380	414
Courier expenses	733	-
Auditors' remuneration	2,634	555
Accounting fees	5,772	6,270
Other professional fees	4,713	6,262
Fines	2,188	-
Travelling	10,833	-
	<u>27,253</u>	<u>13,501</u>

FAIRWAY INVESTMENT OVERSEAS LIMITED

FINANCE INCOME/COST

Year ended 31 December 2016

	2016 US\$	2015 US\$
Finance income		
Unrealised foreign exchange profit	<u>438,374</u>	<u>-</u>
	<u>438,374</u>	<u>-</u>
Finance costs		
Interest expense		
Interest on taxes	-	163
Sundry finance expenses		
Bank charges	4,826	6,357
Net foreign exchange transaction losses		
Unrealised foreign exchange loss	<u>-</u>	<u>574,888</u>
	<u>4,826</u>	<u>581,408</u>

FAIRWAY INVESTMENT OVERSEAS LIMITED

COMPUTATION OF CORPORATION TAX

Year ended 31 December 2016

	Page 19	US\$	US\$
Net profit per income statement			141,824
<u>Add:</u>			
Benefit from transactions falling under Article 33		40,946	
Loss from sale of investments in associates		73,552	
Annual levy		380	
Fines		2,188	
Disallowed interest		39,718	
Travelling expenses		10,833	
			<u>167,617</u>
			309,441
<u>Less:</u>			
Unrealised foreign exchange profit		438,374	
			<u>(438,374)</u>
Net loss for the year			<u><u>(128,933)</u></u>
			€
Converted into € at US\$ 1.110000 = €1			(116,156)
Loss brought forward			<u>(293,679)</u>
Loss carried forward			<u><u>(409,835)</u></u>

CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD

Tax year	2011	2012	2013	2014	2015	2016
	€	€	€	€	€	€
Profits/(losses) for the tax year	49,632	(319,738)	20,736	49,672	(41,555)	(116,156)
Gains Offset (€)	48,476	-	2,794	49,672	-	-
- Year	2008		2009	2012		
Gains Offset (€)	1,156	-	17,942	-	-	-
- Year	2009		2012			
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						

Net loss carried forward (409,835)

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