

EARL MANAGEMENT LIMITED

FINANCIAL STATEMENTS

31 December 2018

Not for official Use

EARL MANAGEMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2018

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EARL MANAGEMENT LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Michailina Zinonos

Company Secretary: WCS-Worldwide Corporate Secretarial Limited

Independent Auditors: LIS Primus Audit and Tax Ltd
Certified Public Accountants and Registered Auditors
205 Arch. Makarios III Ave.
Victory House
4th Floor
3030 Limassol

Registered office: 32 Kritis
Papachristoforou Building, 4th floor
3087 Limassol
Cyprus

Bankers: Bank of Cyprus Public Company Ltd
Deutsche Bank

Registration number: HE141590

Independent Auditor's Report

To the Members of Earl Management Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Earl Management Limited (the "Company"), which are presented in pages 5 to 27 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' 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.

Other information

The sole Director is responsible for the other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss and other comprehensive income in pages 28 to 29, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Board of Directors for the Financial Statements

The sole Director 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 sole Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (continued)

To the Members of Earl Management Limited

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

In preparing the financial statements, the sole Director 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 sole Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The sole Director is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the sole Director.
- Conclude on the appropriateness of the sole Director's 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 sole Director 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.



PRIMUS
A U D I T & T A X

Independent Auditor's Report (continued)

To the Members of Earl Management Limited

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.

George Lakkotripis

Certified Public Accountant and Registered Auditor
for and on behalf of

LIS Primus Audit and Tax Ltd

Certified Public Accountants and Registered Auditors

Limassol, 16 March 2020

EARL MANAGEMENT LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

| | Note | 2018 RR | 2017 RR |
|---|------|---------------------|--------------------|
| Loan interest income | 13 | 80,899,701 | 32,497,186 |
| Loan interest expense | 18 | (49,621,063) | (35,782,943) |
| Net result from financing | | 31,278,638 | (3,285,757) |
| Dividend income | 15 | 583,439 | - |
| Net fair value gain/(loss) on financial assets at fair value through profit or loss | 15 | 10,753,309 | (1,157,542) |
| Write-off of financial assets at amortised cost | 13 | (30,944,133) | - |
| Loss on assignment of financial assets at amortised cost | 13 | (18,133,610) | - |
| Net foreign exchange (loss)/profit | | (36,787,818) | 6,661,622 |
| Administration expenses | | (5,917,099) | (1,735,737) |
| Operating (loss)/profit | 8 | (49,167,274) | 482,586 |
| Finance income | 9 | 173,526 | - |
| Finance costs | 9 | (523,634) | (532,811) |
| Loss before tax | | (49,517,382) | (50,225) |
| Tax | 10 | - | (80,782) |
| Net loss for the year | | (49,517,382) | (131,007) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (49,517,382) | (131,007) |

The notes on pages 9 to 27 form an integral part of these financial statements.

EARL MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2018

| | Note | 2018 RR | 2017 RR |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 105,799 | 211,599 |
| Financial assets at fair value through other comprehensive income | 12 | 3,000,000 | - |
| Financial assets at amortised cost | 13 | 6,785,952 | 155,448,205 |
| | | <u>9,891,751</u> | <u>155,659,804</u> |
| Current assets | | | |
| Receivables | 14 | 64,118,212 | - |
| Financial assets at amortised cost | 13 | 259,742,632 | 164,012,676 |
| Financial assets at fair value through profit or loss | 15 | 86,755,199 | 48,411,208 |
| Cash and cash equivalents | 16 | 181,254,511 | 7,803,329 |
| | | <u>591,870,554</u> | <u>220,227,213</u> |
| Total assets | | <u>601,762,305</u> | <u>375,887,017</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 17 | 121,673 | 121,673 |
| Share premium | | 283,690,334 | 283,690,334 |
| Accumulated losses | | (252,090,123) | (202,572,741) |
| Total equity | | <u>31,721,884</u> | <u>81,239,266</u> |
| Non-current liabilities | | | |
| Borrowings | 18 | 368,368,168 | 226,243,718 |
| | | <u>368,368,168</u> | <u>226,243,718</u> |
| Current liabilities | | | |
| Payables | 19 | 1,503,991 | 529,553 |
| Borrowings | 18 | 200,153,509 | 67,861,694 |
| Current tax liabilities | 20 | 14,753 | 12,786 |
| | | <u>201,672,253</u> | <u>68,404,033</u> |
| Total liabilities | | <u>570,040,421</u> | <u>294,647,751</u> |
| Total equity and liabilities | | <u>601,762,305</u> | <u>375,887,017</u> |

On 16 March 2020 the Board of Directors of Earl Management Limited authorised these financial statements for issue.


 Michailina Zinonos
 Director

The notes on pages 9 to 27 form an integral part of these financial statements.

EARL MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | Note | Share capital RR | Share premium RR | Translation reserve RR | Accumulated losses RR | Total RR |
|--|------|---------------------|---------------------|---------------------------|--------------------------|---------------------|
| Balance at 1 January 2017 | | 114,573 | 159,522,294 | 1,509,813 | (203,951,545) | (42,804,865) |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | (131,007) | (131,007) |
| Transactions with owners | | | | | | |
| Issue of share capital | 17 | 7,100 | 124,168,040 | - | - | 124,175,140 |
| Other movements | | | | | | |
| Change in functional and presentation currency | | - | - | (1,509,813) | 1,509,813 | - |
| Balance at 31 December 2017/ 1 January 2018 | | 121,673 | 283,690,334 | - | (202,572,741) | 81,239,266 |
| Comprehensive income | | | | | | |
| Net loss for the year | | - | - | - | (49,517,382) | (49,517,382) |
| Balance at 31 December 2018 | | 121,673 | 283,690,334 | - | (252,090,123) | 31,721,884 |

Share premium is not available for distribution.

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

EARL MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

| | Note | 2018 RR | 2017 RR |
|---|------|---------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (49,517,382) | (50,225) |
| Adjustments for: | | | |
| Amortisation of computer software | 11 | 105,800 | 105,800 |
| Fair value (gains)/losses on financial assets at fair value through profit or loss | 15 | (10,753,309) | 1,157,542 |
| Write-off of financial assets at amortised cost | 13 | 30,944,133 | - |
| Loss on assignment of financial assets at amortised cost | 13 | 18,133,610 | - |
| Dividend income | 15 | (583,439) | - |
| Loan interest income | 13 | (80,899,701) | (32,497,186) |
| Loan interest expense | 18 | 49,621,063 | 35,782,943 |
| | | (42,949,225) | 4,498,874 |
| Changes in working capital: | | | |
| Decrease in receivables | | 40,345,935 | 13,565,000 |
| Increase in financial assets at fair value through profit or loss | 15 | (27,590,682) | (49,568,750) |
| Increase in payables | | 974,438 | 383,966 |
| Cash used in operations | | (29,219,534) | (31,120,910) |
| Dividends received | 15 | 583,439 | - |
| Loans granted | 13 | (611,779,141) | (250,996,101) |
| Loans repayments received | 13 | 579,828,443 | 81,817,257 |
| Net cash used in operating activities | | (60,586,793) | (200,299,754) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for purchase of intangible assets | 11 | - | (317,399) |
| Payment for purchase of financial assets at fair value through other comprehensive income | 12 | (3,000,000) | - |
| Net cash used in investing activities | | (3,000,000) | (317,399) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | 17 | - | 124,175,140 |
| Repayments of borrowings | 18 | (1,396,693,687) | (103,150,985) |
| Proceeds from borrowings | 18 | 1,633,731,662 | 97,020,211 |
| Net cash generated from financing activities | | 237,037,975 | 118,044,366 |
| Net increase/(decrease) in cash and cash equivalents | | 173,451,182 | (82,572,787) |
| Cash and cash equivalents at beginning of the year | | 7,803,329 | 90,376,116 |
| Cash and cash equivalents at end of the year | 16 | 181,254,511 | 7,803,329 |

The notes on pages 9 to 27 form an integral part of these financial statements.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Incorporation and principal activities

Country of incorporation

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

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments in financial instruments and group financing.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the measurement of financial assets at fair value through profit or loss and OCI.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company.

4. Summary of significant accounting policies

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss using the effective interest method.

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 Russian Rubles (RR), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Summary of significant accounting policies (continued)

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Summary of 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.

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. The Company's business model is such that all its debt instruments are classified as financial assets at amortised cost, as explained below:

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 presented on the face of profit or loss. 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, receivables and financial assets at amortised cost.

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 presented on the face of profit or loss.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. 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".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to 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.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Summary of significant accounting policies (continued)

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

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the 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.

Financial assets -Reclassification

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

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the 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 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 statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Summary of significant accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Financial liabilities - measurement categories

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Summary of significant accounting policies (continued)

Borrowings (continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

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.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management

Financial risk factors

The Company is exposed to market price risk, 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:

6.1 Market price risk

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

6.2 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.

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

| | 2018 RR | 2017 RR |
|-------------------------------|-----------------------------|----------------------|
| Fixed rate instruments | | |
| Financial assets | 266,528,584 | 319,460,881 |
| Financial liabilities | <u>(568,521,677)</u> | <u>(294,105,412)</u> |
| | <u>(301,993,093)</u> | <u>25,355,469</u> |

6.3 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and receivables from related parties.

(i) Risk management

Credit risk is managed on a group basis.

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

Otherwise, if there is no independent rating, management assesses the credit quality of the borrower, taking into account its financial position, past experience and other factors.

(ii) 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

Debt investments

Financial assets at amortised cost

Financial assets at amortised cost include loans to related parties and receivable from shareholder.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

Impairment of financial assets (continued)

Loans to related parties and receivable from shareholder.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

Macroeconomic information is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

6.3 Credit risk (continued)

Impairment of financial assets (continued)

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

| Category | Company definition of category | Basis for recognition of expected credit loss provision | Basis for calculation of interest revenue |
|-----------------|---|---|--|
| Performing | Counterparties have a low risk of default and a strong capacity to meet contractual cash flows | Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. | Gross carrying amount |
| Underperforming | Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail) | Stage 2: Lifetime expected losses | Gross carrying amount |
| Non-performing | Interest and/or principal repayments are 90 days past due | Stage 3: Lifetime expected losses | Amortised cost carrying amount (net of credit allowance) |
| Write-off | Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery. | Asset is written off | None |

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

6.3.1 Credit quality of financial assets

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

| | 2018 RR | 2017 RR |
|--|---------------------------|-------------------------|
| Cash at bank and short term bank deposits | | |
| A3 | <u>181,254,511</u> | <u>7,803,329</u> |
| | <u>181,254,511</u> | <u>7,803,329</u> |

No allowance for expected credit losses is recognised, as the probability of default is very low, thus resulting to an insignificant allowance of ECL.

6.4 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's exposure to liquidity risk is not considered significant as it maintains significant liquid assets to meet its short term obligations.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

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

| 31 December 2018 | Carrying amounts RR | Contractual cash flows RR | 3 months or less RR | 3-12 months RR | 1-2 years RR | 2-5 years RR | More than 5 years RR |
|-------------------------|------------------------|------------------------------|------------------------|-------------------|--------------------|--------------------|-------------------------|
| Bank loans | 200,135,642 | 200,955,094 | 200,955,094 | - | - | - | - |
| Other loans | 368,386,035 | 487,804,114 | - | 9,845,932 | 168,233,731 | 309,724,451 | - |
| | 568,521,677 | 588,759,208 | 200,955,094 | 9,845,932 | 168,233,731 | 309,724,451 | - |
| 31 December 2017 | Carrying amounts RR | Contractual cash flows RR | 3 months or less RR | 3-12 months RR | 1-2 years RR | 2-5 years RR | More than 5 years RR |
| Bank loans | 59,873,455 | 60,179,215 | 60,179,215 | - | - | - | - |
| Other loans | 234,231,957 | 307,351,082 | 7,988,239 | - | - | 299,362,843 | - |
| | 294,105,412 | 367,530,297 | 68,167,454 | - | - | 299,362,843 | - |

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

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

| | Liabilities | | Assets | |
|-----------------------|--------------------|-------------|------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | RR | RR | RR | RR |
| United States Dollars | 280,726,554 | 226,243,718 | 38,970 | 56,658,955 |
| Euro | - | - | 454,756 | - |
| Swiss Franc | 9,845,932 | 7,988,238 | 6,102,771 | - |
| | 290,572,486 | 234,231,956 | 6,596,497 | 56,658,955 |

6.6 Capital risk management

Capital includes equity shares and share premium.

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.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

Fair value estimation (continued)

Fair value measurements recognised in statement of financial position

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2018

| | Level 1 RR | Level 2 RR | Level 3 RR | Total RR |
|---|-------------------|---------------|------------------|-------------------|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 86,775,199 | - | - | 86,775,199 |
| Financial assets at fair value through other comprehensive income | - | - | 3,000,000 | 3,000,000 |
| Total | 86,775,199 | - | 3,000,000 | 89,775,199 |

31 December 2017

| | Level 1 RR | Level 2 RR | Level 3 RR | Total RR |
|---|-------------------|---------------|---------------|-------------------|
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 48,411,208 | - | - | 48,411,208 |
| Total | 48,411,208 | - | - | 48,411,208 |

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.

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:

• Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. Critical accounting estimates and judgments (continued)

- Fair value of financial assets**

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

- 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.

- Impairment of intangible assets**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

8. Operating (loss)/profit

| | 2018 RR | 2017 RR |
|---|----------------|----------------|
| Operating (loss)/profit is stated after charging the following items: | | |
| Auditors' remuneration | <u>283,674</u> | <u>206,256</u> |

9. Finance income/(costs)

| | 2018 RR | 2017 RR |
|--------------------------|------------------|------------|
| Bank interest income | <u>173,526</u> | - |
| Finance income | <u>173,526</u> | - |
| Bank charges | <u>(523,634)</u> | (532,811) |
| Finance costs | <u>(523,634)</u> | (532,811) |
| Net finance costs | <u>(350,108)</u> | (532,811) |

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. Tax

| | 2018 RR | 2017 RR |
|----------------------------|------------|---------------|
| Corporation tax | - | 80,782 |
| Charge for the year | - | 80,782 |

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

| | 2018 RR | 2017 RR |
|--|---------------------|---------------|
| Loss before tax | (49,517,382) | (50,225) |
| Tax calculated at the applicable tax rates | (6,189,673) | (6,278) |
| Tax effect of expenses not deductible for tax purposes | 6,948,874 | - |
| Tax effect of allowances and income not subject to tax | (1,452,000) | 87,060 |
| Tax effect of tax loss for the year | 692,799 | - |
| Tax charge | - | 80,782 |

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 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.

11. Intangible assets

| | Computer software RR |
|--|----------------------------|
| Cost | |
| Additions | 317,399 |
| Balance at 31 December 2017/ 1 January 2018 | 317,399 |
| Balance at 31 December 2018 | 317,399 |
| Amortisation | |
| Amortisation for the year | 105,800 |
| Balance at 31 December 2017/ 1 January 2018 | 105,800 |
| Amortisation for the year | 105,800 |
| Balance at 31 December 2018 | 211,600 |
| Net book amount | |
| Balance at 31 December 2018 | 105,799 |
| Balance at 31 December 2017 | 211,599 |

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. Financial assets at fair value through other comprehensive income

| | 2018 RR | 2017 RR |
|-------------------------------|------------------|------------|
| Balance at 1 January | - | - |
| Additions | 3,000,000 | - |
| Balance at 31 December | 3,000,000 | - |

The purchase of Financial assets at fair value through other comprehensive income has taken place close to the year end, hence the cost is considered a fair approximation of fair value.

Financial assets at fair value through other comprehensive income represent the fair value of 5% of investment in a private company.

13. Financial assets at amortised cost

| | 2018 RR | 2017 RR |
|----------------------------------|--------------------|--------------------|
| Balance at 1 January | 319,460,881 | 119,988,956 |
| New loans granted | 611,779,141 | 250,996,101 |
| Repayments | (579,828,443) | (81,817,257) |
| Loan interest income | 80,899,701 | 32,497,186 |
| Assignment to a lender (Note 18) | (74,999,795) | - |
| Assignment of loan | (63,520,616) | - |
| Write-off of loans | (30,944,133) | - |
| Exchange difference | 3,681,848 | (2,204,105) |
| Balance at 31 December | 266,528,584 | 319,460,881 |

| | 2018 RR | 2017 RR |
|---|---------------|---------------|
| Other loans | 138,520,741 | 189,112,677 |
| Loans to company under common control (Note 21.1) | 128,007,843 | 130,348,204 |
| | 266,528,584 | 319,460,881 |
| Less current portion | (259,742,632) | (164,012,676) |
| Non-current portion | 6,785,952 | 155,448,205 |

The loans are repayable as follows:

| | 2018 RR | 2017 RR |
|----------------------------|-------------|-------------|
| Within one year | 259,742,632 | 164,012,676 |
| Between one and five years | 6,785,952 | 155,448,205 |
| | 266,528,584 | 319,460,881 |

The Company's loans receivable are denominated in the following currencies:

| | 2018 RR | 2017 RR |
|-----------------------|-------------|-------------|
| Russian Ruble | 266,511,893 | 262,801,925 |
| United States Dollars | - | 56,658,955 |
| Swiss Franc | 16,690 | - |
| | 266,528,583 | 319,460,880 |

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

. Financial assets at amortised cost (continued)

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

For a summary of key terms and conditions relating to the loans to company under common control, refer to note 21.1 of the financial statements.

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

| | <u>Terms</u> | 2018 RR | 2017 RR |
|--------|--|---------------------------|---------------------------|
| Loan 1 | Carried interest at 20% per annum, was repayable by 2 April 2018 | - | 56,658,955 |
| Loan 2 | Carries interest at 21% per annum, was repayable by 18 April 2019 | 22,725,619 | 55,138,082 |
| Loan 3 | Carried interest at 21% per annum, is repayable by 19 April 2019 | - | 65,001,151 |
| Loan 4 | Carries interest at 21% per annum, repayable by 25 April 2019 | 11,507 | 10,184,110 |
| Loan 5 | Carries interest at 16.5% per annum, repayable by 23 November 2020 | 297,136 | 2,130,379 |
| Loan 6 | Carries interest at 4% per annum, repayable by 12 March 2020 | 16,691 | - |
| Loan 7 | Carries interest at 22% per annum, repayable by 16 October 2020 | 190,219 | - |
| Loan 8 | Carries interest at 8% per annum, repayable by 6 November 2021 | 23,820 | - |
| Loan 9 | Carries interest at 25% per annum, repayable by January 2020 | 115,255,749 | - |
| | | <u>138,520,741</u> | <u>189,112,677</u> |

During the current year the following transactions involving the Company's financial assets at amortised cost have taken place:

- Part of loan 1 of US\$1,025,505 was assigned to a related party of the Company (Note 21.2) for a consideration equal to US\$922,955. Thus the Company incurred a loss of US\$102,550, equivalent to RR6,352,061.
- Part of loan 3 of RR74,999,795 was assigned towards a Company's existing lender (Note 18) for a consideration equal to RR63,218,246. Thus the Company incurred a loss of RR11,781,549.
- Part of loan 3 of RR944,133 and the full amount of new loan which has been provided to the same borrower amounting to RR30,000,000 have been waived, thus the Company incurred a total loss of RR30,944,133.

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. Receivables

| | 2018 RR | 2017 RR |
|---|-------------------|------------|
| Receivable from related party (Note 21.2) | <u>64,118,212</u> | - |
| | <u>64,118,212</u> | - |

For a summary of key terms and conditions relating to the receivable from related party, refer to note 21.2 of the financial statements.

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

15. Financial assets at fair value through profit or loss

| | 2018 RR | 2017 RR |
|-------------------------------|--------------------------|-------------------|
| Balance at 1 January | <u>48,411,208</u> | - |
| Additions | <u>27,590,682</u> | 49,568,750 |
| Change in fair value | <u>10,753,309</u> | (1,157,542) |
| Balance at 31 December | <u>86,755,199</u> | <u>48,411,208</u> |

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

During the year 2018, the Company received dividends amounting to RR583,439.

16. Cash and cash equivalents

Cash balances are analysed as follows:

| | 2018 RR | 2017 RR |
|-----------------------|---------------------------|------------------|
| Bank current accounts | <u>125,678,031</u> | 7,803,329 |
| Call deposits | <u>55,576,480</u> | - |
| | <u>181,254,511</u> | <u>7,803,329</u> |

The effective interest rate on call deposits was 2.25%.

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

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. Share capital

| | 2018 Number of shares | 2018 € | 2017 Number of shares | 2017 € |
|-------------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| Authorised | | | | |
| Ordinary shares of €1.71 each | <u>6,000</u> | <u>10,260</u> | <u>6,000</u> | <u>10,260</u> |
| Issued and fully paid | | RR | | RR |
| Balance at 1 January | <u>1,110</u> | <u>121,673</u> | <u>1,050</u> | <u>114,573</u> |
| Issue of shares | <u>-</u> | <u>-</u> | <u>60</u> | <u>7,100</u> |
| Balance at 31 December | <u>1,110</u> | <u>121,673</u> | <u>1,110</u> | <u>121,673</u> |

Issued capital

On 26 September 2017 and 25 November 2017, the Company increased its issued share capital through the issue of 10 ordinary shares of €1.71 at a premium of €79,998.29 per share, amounting to a total of €800,000 (RR54,844,240), and 50 ordinary shares of €1.71 at a premium of €19,998.29 per share, amounting to a total of €1,000,000 (RR69,330,900), respectively.

18. Borrowings

| | 2018 RR | 2017 RR |
|---|---------------------------|---------------------------|
| Balance at 1 January | <u>294,105,412</u> | <u>275,098,837</u> |
| Additions | <u>1,633,731,662</u> | <u>97,020,211</u> |
| Repayments | <u>(1,396,693,687)</u> | <u>(103,150,985)</u> |
| Loan interest expense | <u>49,621,063</u> | <u>35,782,943</u> |
| Consideration for assignment of loan receivable (Note 13) | <u>(63,218,246)</u> | <u>-</u> |
| Exchange difference | <u>50,975,473</u> | <u>(10,645,594)</u> |
| Balance at 31 December | <u>568,521,677</u> | <u>294,105,412</u> |
| | 2018 RR | 2017 RR |
| Current borrowings | | |
| Bank loans | <u>200,135,642</u> | <u>59,873,455</u> |
| Other loans | <u>17,867</u> | <u>7,988,239</u> |
| | <u>200,153,509</u> | <u>67,861,694</u> |
| Non-current borrowings | | |
| Other loans | <u>368,368,168</u> | <u>226,243,718</u> |
| Total | <u>568,521,677</u> | <u>294,105,412</u> |

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. Borrowings (continued)

The terms and conditions of outstanding loans are as follows:

| | Currency | Interest rate | Maturity date | 2018 RR | 2017 RR |
|---------------|----------|---------------|-----------------------------|--------------------|--------------------|
| Bank loan 1 | RUB | 8.30% | 11 January 2018 | - | 24,109,151 |
| Bank loan 2 | RUB | 8.30% | 11 January 2018 | - | 25,744,948 |
| Bank loan 3 | RUB | 7.85% | 22 March 2018 | - | 10,019,356 |
| Bank loan 4 | RUB | 8.70% | 17 January 2019 | 200,135,642 | - |
| Other loan 1 | CHF | 3.00% | 2 February 2018 | 9,828,065 | 7,973,309 |
| Other loan 2 | CHF | 0% | No specified repayment date | 17,867 | 14,929 |
| Other loan 3 | USD | 8.00% | 4 December 2022 | 5,532,981 | 57,941,068 |
| Other loan 4 | USD | 8.00% | 4 December 2022 | 37,719,681 | 28,970,533 |
| Other loan 5 | USD | 8.00% | 4 December 2022 | 37,719,681 | 28,970,533 |
| Other loan 6 | USD | 8.00% | 4 December 2022 | 37,719,681 | 28,970,533 |
| Other loan 7 | USD | 8.00% | 4 December 2022 | 37,719,681 | 28,970,533 |
| Other loan 8 | USD | 8.00% | 4 December 2022 | 37,719,681 | 28,970,533 |
| Other loan 9 | USD | 8.00% | 4 December 2022 | 30,531,919 | 23,449,986 |
| Other loan 10 | USD | 7.50% | 19 January 2020 | 7,136 | - |
| Other loan 11 | USD | 7.00% | 16 April 2020 | 39,799,840 | - |
| Other loan 12 | USD | 7.00% | 17 April 2020 | 8,128,137 | - |
| Other loan 13 | USD | 7.00% | 17 April 2020 | 8,128,137 | - |
| Other loan 14 | RUB | 18.00% | 31 January 2020 | 77,813,548 | - |
| | | | | <u>568,521,677</u> | <u>294,105,412</u> |

19. Payables

| | 2018 RR | 2017 RR |
|----------|------------------|----------------|
| Accruals | 1,503,991 | 529,553 |
| | <u>1,503,991</u> | <u>529,553</u> |

20. Current tax liabilities

| | 2018 RR | 2017 RR |
|-----------------|---------------|---------------|
| Corporation tax | 14,753 | 12,786 |
| | <u>14,753</u> | <u>12,786</u> |

EARL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. Related party balances and transactions

The related party balances and transactions are as follows:

21.1 Loans to company under common control (Note 13)

| | <u>Terms</u> | 2018 RR | 2017 RR |
|------------------------------|---|--------------------|--------------------|
| Vladimir Leasing Company LLC | Carries interest 11% per annum, repayable by 27 December 2019 | 49,998,171 | 50,578,045 |
| Vladimir Leasing Company LLC | Carries interest 11% per annum, repayable by 27 December 2019 | 48,005,152 | 49,710,570 |
| Vladimir Leasing Company LLC | Carries interest 11% per annum, repayable by 7 August 2019 | 30,004,520 | 30,059,589 |
| | | <u>128,007,843</u> | <u>130,348,204</u> |

21.2 Receivable from related party (Note 14)

| | 2018 RR | 2017 RR |
|---|-------------------|------------|
| Balance at 1 January | - | - |
| Consideration for assignment of loan receivable | 60,542,317 | - |
| Exchange difference | 3,575,895 | - |
| Balance at 31 December | <u>64,118,212</u> | <u>-</u> |

The receivable from related party is interest free and has no specified repayment date.

22. Contingent liabilities

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

23. Commitments

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

24. 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 2 to 4

EARL MANAGEMENT LIMITED

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018

| | 2018 RR | 2017 RR |
|-----------------------------------|------------------|------------------|
| Administration expenses | | |
| Annual levy | 25,547 | 26,478 |
| Courier expenses | 87,222 | 72,999 |
| Auditors' remuneration | 283,674 | 206,256 |
| Accounting fees | 377,569 | 339,503 |
| Other professional fees | 3,898,135 | 561,450 |
| Fines | 14,580 | - |
| Management fees | 515,286 | 421,461 |
| Translation fees | - | 1,790 |
| Custody fees | 609,286 | - |
| Amortisation of computer software | 105,800 | 105,800 |
| | <u>5,917,099</u> | <u>1,735,737</u> |

EARL MANAGEMENT LIMITED

COMPUTATION OF CORPORATION TAX

For the year ended 31 December 2018

| | Page | RR | RR |
|--|------|-------------------|------------------------|
| Net loss per income statement | 5 | | (49,517,382) |
| <u>Add:</u> | | | |
| Depreciation | | 105,800 | |
| Loss on assignment of FA at amortised cost | | 18,133,610 | |
| Annual levy | | 25,547 | |
| Fines | | 14,580 | |
| Net exchange loss | | 36,787,818 | |
| Bank charges | | <u>523,634</u> | |
| | | | <u>55,590,989</u> |
| | | | 6,073,607 |
| <u>Less:</u> | | | |
| Annual wear and tear allowances | 29 | 105,694 | |
| Dividends received | | 583,439 | |
| Interest income | | 173,526 | |
| Net fair value gain on FAFVTPL | | <u>10,753,309</u> | |
| | | | <u>(11,615,968)</u> |
| Net loss for the year | | | (5,542,361) |
| | | | € |
| Converted into € at RR 79.325500 = €1 | | | <u><u>(69,869)</u></u> |

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