

GRANDIS SECURITIES LTD

REPORT AND FINANCIAL STATEMENTS

31 December 2021

GRANDIS SECURITIES LTD

REPORT AND FINANCIAL STATEMENTS

31 December 2021

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GRANDIS SECURITIES LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Maksim Volkov - Executive Director

Maria Petridou - Executive Director

Olga Nikolau - Executive Director

Stavros Economides - Non Executive Director

Andreas Alfred Kalotheou - Non Executive Director

Company Secretary:

Speedy Secretarial Solutions Limited

Independent Auditors:

FINCAP Advisers Ltd
24 Piraeus Street,
Office 101, 1st Floor,
2023 Strovolos,
Nicosia, Cyprus

Registered office:

62 Athalassas
Mezzanine floor
2012 Strovolos
Nicosia, Cyprus

Bankers:

Bank of Cyprus Public Company Ltd

Registration number:

HE360960

GRANDIS SECURITIES LTD

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2021.

Principal activities and nature of operations of the Company

The Company is an approved Cyprus Investment Firm (CIF) by the Cyprus Securities and Exchange Commission ("CySEC") to operate as a regulated investment firm in Cyprus (license no. 343/17).

The principal activities of the Company in accordance with the provision of the applicable legislation and requirements issued by CySEC, is the provision of "Reception and transmission of orders in relation to one or more financial instruments" and "Execution of orders on behalf of clients". Regarding ancillary services, "Safekeeping and administration of financial instruments, including custodianship and related services" and "Foreign exchange services where these are connected to the provision of investment services".

Change in functional and operational currency

On 1 January 2021, the Company changed its presentation and functional currency from United States Dollars to the Euro due to the fact that the primary underlying transactions relevant to the Company are denominated in Euro.

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

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

On 4 August 2020, Grandis Holdings (Cayman) Ltd (the "Seller") the 100% owner of the Company, entered into a Share Sale and Purchase Agreement ("SPA"), with Atriafinancial Holdings Ltd (the "Buyer"). The Seller wishes to sell the shares to the Buyer and the Buyer wishes to purchase the shares, in accordance with the terms and conditions as set out in the SPA. As a first step the Buyer purchased the 9,9% of the share capital of the Company and the remaining shares 90,1% will be transferred to the Buyer subject to approval of CySEC. As at the date of preparation of these Financial Statements, the final approval from CySEC was not granted and the Company has submitted an additional letter on 12th April 2022 addressing the major concerns raised by CySEC.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 7, 8 and 22 of the financial statements.

Future developments of the Company

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

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6. The net loss for the year is carried forward.

Share capital

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

Board of Directors

The members of the Company's Board of Directors as at 31 December 2021 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 2021.

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.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 27 to the financial statements.

GRANDIS SECURITIES LTD

MANAGEMENT REPORT

Related party transactions

Disclosed in note 23 of the financial statements.

Independent Auditors

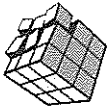
The Independent Auditors, FINCAP Advisers Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Maria Petridou
Director

Nicosia, 26 April 2022



Independent Auditor's Report

To the Members of Grandis Securities Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grandis Securities Ltd (the "Company"), which are presented in pages 6 to 32 and comprise the statement of financial position as at 31 December 2021, 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 2021, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Board of Directors 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.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Nicosia

24 Piraeus Str., Office 101, 1st Floor, Nicosia 2023, Cyprus
P.O.Box 21677, CY 1512, Nicosia, Cyprus
Tel: +357 22277222 - Fax: +357 22277277

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London

15 Hanover Square, St. Georges House, 6th Floor
W1S 1HS London, UK
Tel: +44 2035146999 - Fax: +44 2036088352



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with the Board of Directors 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.

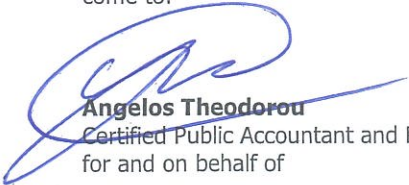
Report on Other Legal Requirements

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

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

Other Matter

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


Angelos Theodorou
Certified Public Accountant and Registered Auditor
for and on behalf of

FINCAP Advisers Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 26 April 2022

GRANDIS SECURITIES LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2021

	Note	2021 €	2020 €
Revenue	9	-	11,974
Other operating income		112	-
Administration expenses	10	(647,881)	(464,873)
Operating loss		(647,769)	(452,899)
Finance income	12	1,673	23,891
Finance costs	12	(6,254)	(11,309)
Loss before tax		(652,350)	(440,317)
Tax	13	-	-
Net loss for the year		(652,350)	(440,317)
Other comprehensive income			
Currency translation differences		(4,880)	(9,608)
Other comprehensive income for the year		(4,880)	(9,608)
Total comprehensive loss for the year		(657,230)	(449,925)

The notes on pages 10 to 32 form an integral part of these financial statements.

GRANDIS SECURITIES LTD

STATEMENT OF FINANCIAL POSITION

31 December 2021

	Note	2021 €	31/12/2020 €	01/01/2020 €
ASSETS				
Non-current assets				
Property, plant and equipment	14	29,548	21,040	13,110
Intangible assets	15	-	-	4,005
Investors' Compensation Fund	17	38,815	38,815	39,113
		<u>68,363</u>	<u>59,855</u>	<u>56,228</u>
Current assets				
Trade and other receivables	16	409	9,133	5,545
Cash and cash equivalents	18	142,495	137,445	172,553
		<u>142,904</u>	<u>146,578</u>	<u>178,098</u>
Total assets		<u>211,267</u>	<u>206,433</u>	<u>234,326</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	19	127,000	127,000	126,000
Share premium		958,000	958,000	609,000
Other reserves	20	823,597	165,742	106,316
Accumulated losses		(1,712,879)	(1,072,868)	(632,551)
Total equity		<u>195,718</u>	<u>177,874</u>	<u>208,765</u>
Current liabilities				
Trade and other payables	21	12,671	25,681	25,561
Shareholders' current accounts - credit balances	23	2,878	2,878	-
Total liabilities		<u>15,549</u>	<u>28,559</u>	<u>25,561</u>
Total equity and liabilities		<u>211,267</u>	<u>206,433</u>	<u>234,326</u>

On 26 April 2022 the Board of Directors of Grandis Securities Ltd authorised these financial statements for issue.



 Olga Nikolau
 Director



 Maria Petridou
 Director

The notes on pages 10 to 32 form an integral part of these financial statements.

GRANDIS SECURITIES LTD

STATEMENT OF CHANGES IN EQUITY

31 December 2021

	Note	Share capital €	Share premium €	Capital reserves €	Translation reserve €	Accumulated losses €	Total €
Balance at 1 January 2020		126,000	609,000	126,124	(19,808)	(632,551)	208,765
Comprehensive income							
Net loss for the year		-	-	-	-	(440,317)	(440,317)
Currency translation differences		-	-	-	(9,608)	-	-
Total comprehensive income for the year		-	-	-	(9,608)	(440,317)	(449,925)
Transactions with owners							
Issue of share capital	19	1,000	349,000	-	-	-	350,000
Contributions from shareholders		-	-	69,034	-	-	69,034
Total transactions with owners		1,000	349,000	69,034	-	-	419,034
Balance at 31 December 2020/ 1 January 2021		127,000	958,000	195,158	(29,416)	(1,072,868)	177,874
Comprehensive income							
Net loss for the year		-	-	-	-	(652,350)	(652,350)
Currency translation differences		-	-	-	(17,219)	12,339	(4,880)
Total comprehensive income for the year		-	-	-	(17,219)	(640,011)	(657,230)
Transactions with owners							
Contributions from shareholders		-	-	675,074	-	-	675,074
Balance at 31 December 2021		127,000	958,000	870,232	(46,635)	(1,712,879)	195,718

Share premium is not available for distribution.

During the year, the shareholders of the Company, provided written consent to the Management of the Company, to convert payables to shareholders amounting to €675,074 (2020: €69,034) into equity and to be considered as a non - refundable contribution.

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65% (2019: 1,70%), when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 10 to 32 form an integral part of these financial statements.

GRANDIS SECURITIES LTD

CASH FLOW STATEMENT

31 December 2021

	Note	2021 €	2020 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(652,350)	(440,317)
Adjustments for:			
Depreciation of property, plant and equipment	14	7,945	3,728
Amortisation of computer software	15	-	4,005
Interest income	12	-	(1)
Interest expense	12	-	15
Loss from investors compensation fund		-	298
		(644,405)	(432,272)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		8,724	(3,588)
Increase in shareholders' current accounts		-	2,878
(Decrease)/increase in trade and other payables		(13,010)	120
Cash used in operations		(648,691)	(432,862)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	14	(16,453)	(11,658)
Interest received		-	1
Net cash used in investing activities		(16,453)	(11,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	1,000
Proceeds from issue of share at a premium		-	349,000
Contributions from shareholders		675,074	69,034
Interest paid		-	(15)
Net cash generated from financing activities		675,074	419,019
Net increase/(decrease) in cash and cash equivalents		9,930	(25,500)
Cash and cash equivalents at beginning of the year		137,445	172,553
Effect of currency translation differences		(4,880)	(9,608)
Cash and cash equivalents at end of the year	18	142,495	137,445

The notes on pages 10 to 32 form an integral part of these financial statements.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. Incorporation and principal activities

Country of incorporation

Grandis Securities Ltd (the "Company") was incorporated in Cyprus on 10 October 2016 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 62 Athalassas, Mezzanine floor, 2012 Strovolos, Nicosia, Cyprus.

Principal activities

The Company is an approved Cyprus Investment Firm (CIF) by the Cyprus Securities and Exchange Commission ("CySEC") to operate as a regulated investment firm in Cyprus (license no. 343/17).

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients

Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Foreign exchange services where these are connected to the provision of investment services

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.

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

3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency. On 1 January 2021, the Company changed its presentation and functional currency from United States Dollars to the Euro due to the fact that the primary underlying transactions relevant to the Company are denominated in Euro.

The Company presents its results in Euro with effect from 1 January 2021. In order to satisfy the requirements of IAS 21 with respect to a change in presentation and functional currency, the statement of financial position for the year ending 31 December 2020 has been retranslated from United States Dollars to Euro using the exchange rate on 31 December 2020. Any currency translation differences arising from the retranslation have been included in the Statement of Changes in Equity.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. 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 2021. This adoption did not have a material effect on the accounting policies of the Company.

5. Significant 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.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

The Company recognises revenue from the following major sources:

- Brokerage services
- Commissions and other fees

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS 31 December 2021

5. Significant accounting policies (continued)

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

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

Finance costs

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

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.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

Furniture, fixtures and office equipment	10
Computer Hardware	20

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Financial assets

Financial assets - Classification

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 or 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, the 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 recognised 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.

Financial assets - Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Financial assets (continued)

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

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

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

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

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

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

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

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 7, 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 7, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets -Reclassification

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

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - write-off

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

Financial assets - modification

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

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

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost 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.

Classification as financial assets at amortised cost

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

Classification as trade receivables

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.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Financial assets (continued)

Classification as trade receivables (continued)

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 7, 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

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

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

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

Financial liabilities - Modifications

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.)

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.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Financial assets (continued)

Financial liabilities - Modifications (continued)

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.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

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.

Contributions to Investors Compensation Fund

The Company's contribution to the Investor's Compensation Fund was recognized as a non-current asset in the statement of financial position in accordance with directive DI144-2007-15 of 2015 'Continuance of operation and the operation of CIF Investors Compensation Fund'. Also the allocation of profit / loss allocated to the Company by the Investor Compensation Fund is recognized within other gains and losses in profit or loss.

In accordance with the Directive D187-07 published by CySEC on 13 March 2019, for the operation of the Investors Compensation Fund, contributions and fees paid to the Fund from that date onwards, shall be expensed and not form an asset of Fund members and therefore, no amount is refundable. Therefore, any contributions following 13 March 2019 are recognised in profit or loss.

Capital reserves

Capital reserves constitutes contributions made by the Company's shareholders other than for the issue of shares by the Company and for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with shareholders.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. Significant accounting policies (continued)

Provisions

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

Comparatives

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

6. 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.

7. Financial risk management

Financial risk factors

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

7.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets.

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

	2021	2020
	€	€
Variable rate instruments		
Financial assets	<u>142,495</u>	137,445
	<u>142,495</u>	<u>137,445</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2021	2020	2021	2020
	€	€	€	€
Variable rate instruments	<u>1,425</u>	1,375	<u>1,686</u>	1,375
	<u>1,425</u>	<u>1,375</u>	<u>1,686</u>	<u>1,375</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Financial risk management (continued)

7.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets as well as lease receivables.

(i) Impairment of financial assets

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

- cash and cash equivalents

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). 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.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the 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 financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-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/counterparty'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/counterparty.

Macroeconomic information (such as market interest rates or growth rates) 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. No significant changes to estimation techniques or assumptions were made during the reporting period.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Financial risk management (continued)

7.2 Credit risk (continued)

(i) Impairment of financial assets (continued)

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.

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default

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

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

There were no impairment and/ or past due but not impaired financial assets as at 31 December 2021 and 2020.

The Company does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

7.3 Liquidity risk

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

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

31 December 2021

	Carrying amounts	Contractual cash flows	3 months or less
	€	€	€
Trade and other payables	674	674	674
Payables to related parties	2,878	2,878	2,878
	3,552	3,552	3,552

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Financial risk management (continued)

7.3 Liquidity risk (continued)

31 December 2020	Carrying amounts €	Contractual cash flows €	3 months or less €
Trade and other payables	4,022	4,022	4,022
Payables to related parties	2,878	2,878	2,878
	<u>6,900</u>	<u>6,900</u>	<u>6,900</u>

7.4 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 and the Russian Ruble. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

7.5 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

7.6 Compliance risk and capital risk management

Capital includes equity shares and share premium.

The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

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.

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the Republic. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

The Company being a Cyprus Investment Firm (CIF) is obliged to comply with the new prudential framework for investment firms (Regulation 2019/2033 ("IFR") and Directive 2019/2034 ("IFD")).

Computation of Capital Base

The capital base consists of core capital plus supplementary capital less deductions:

(i) Core capital is consisted of ordinary share capital issued and fully paid, perpetual non-cumulative preference shares, share premium, reserves with the exception of revaluation reserves and minority interests less goodwill and other intangible assets.

(ii) Supplementary capital is consisted of revaluation reserves, Hybrid Capital Instruments, subordinated term debt, redeemable cumulative preference shares, convertible subordinated term loan capital with a minimum original term of maturity of over five years, general provisions and minority interest arising from participations in supplementary capital.

(iii) Deductions from total capital include illiquid financial assets.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Financial risk management (continued)

Own funds ratio

The own funds ratio expresses the capital base, as this is defined above, as a proportion of the total own funds requirement.

Minimum own funds ratio

The Company's regulator, the Cyprus Securities and Exchange Commission (CySEC), stipulates that the Company must maintain a minimum own funds ratio of 100%. The method of calculation is set up by the regulatory authority based on new prudential framework for investment firms (Regulation 2019/2033 ("IFR") and Directive 2019/2034 ("IFD")). The Company aims to always maintain a high own funds ratio well above the required minimum. The own funds ratio is reported to the Company's regulatory authority on a quarterly basis.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The own funds ratio for the year ended 31 December 2021 was 105%.

Own funds requirements are derived from the fixed overheads requirement, the permanent minimum capital requirement and the K-factor requirement.

Statement of capital adequacy

CIF's should file to the Cyprus Securities and Exchange Commission a form under the new prudential framework for investment firms (Regulation 2019/2033 ("IFR") and Directive 2019/2034 ("IFD")) for Investment Firms on a quarterly basis.

The Company's own funds should be above €150.000. As at 31 December 2021, the Company's own funds amount to €157.000.

Liquidity requirement

Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement based on Article 43 of the IFR. The Company's total liquid assets amount to €143.000 which is well above the required total liquid assets based on Article 43 of the IFR which should be €39.000.

7.7 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

7.8 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company applies procedures to minimize this risk.

8. Critical accounting estimates, judgments and assumptions

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

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. Critical accounting estimates, judgments and assumptions (continued)

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Going concern basis**

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

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The 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.

Critical judgements in applying the Company's accounting policies

- **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 7, Credit risk section.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Useful life of depreciable assets**

The Board of Directors assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

9. Revenue

	2021	2020
	€	€
Commissions on global custody services	-	7,985
Commissions on brokerage services	-	3,989
	<u>-</u>	<u>11,974</u>

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. Administration expenses

	2021	2020
	€	€
Staff costs	494,557	201,521
Licenses and taxes	100	4,674
Municipality taxes	-	225
Annual levy	350	371
Electricity	4,780	3,305
Insurance	6,632	5,693
Sundry expenses	4,339	2,856
Telephone and postage	2,897	20,674
Courier expenses	702	1,546
Stationery and printing	53	444
Subscriptions and contributions	881	2,848
Staff training	3,433	1,784
Sundry staff costs	8,741	17,152
Computer supplies and maintenance	3,057	18,501
Computer software	125	145
Certification and legalisation expenses	720	-
Auditors' remuneration for the statutory audit of annual accounts	2,000	8,580
Accounting fees	15,870	30,181
Legal fees	5,000	2,376
Directors' fees	30,000	27,913
Other professional fees	18,356	7,396
Secretarial fees	-	2,143
Fines	-	78
Travelling	974	2,933
Irrecoverable VAT	17,162	9,193
Entertaining	-	371
Other direct expenses	-	12,257
Internal auditors fees	6,250	14,079
Administrative expenses	9,958	42,508
Compliance consulting services	3,000	5,709
Office space use	-	8,172
Depository & Custody fees	-	937
Amortisation of computer software	-	4,303
Depreciation	7,944	4,005
	647,881	464,873

11. Staff costs

	2021	2020
	€	€
Salaries	445,201	178,961
Social security costs	37,103	18,054
GHS contribution	12,253	4,506
	494,557	201,521
Average number of employees (including Directors in their executive capacity)	8	4

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. Finance income/(costs)

	2021	2020
	€	€
Interest income	-	1
Exchange profit	<u>1,673</u>	<u>23,890</u>
Finance income	<u>1,673</u>	<u>23,891</u>
Exchange losses	<u>(1,794)</u>	<u>(6,513)</u>
Interest expense	-	(15)
Sundry finance expenses	<u>(4,460)</u>	<u>(4,781)</u>
Finance costs	<u>(6,254)</u>	<u>(11,309)</u>
Net finance (costs)/income	<u>(4,581)</u>	<u>12,582</u>

13. Tax

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

	2021	2020
	€	€
Loss before tax	<u>(652,350)</u>	<u>(440,317)</u>
Tax calculated at the applicable tax rates	<u>(81,544)</u>	<u>(55,040)</u>
Tax effect of expenses not deductible for tax purposes	<u>1,261</u>	<u>1,049</u>
Tax effect of allowances and income not subject to tax	<u>(1,227)</u>	<u>3,100</u>
Tax effect of tax loss for the year	<u>81,510</u>	<u>50,891</u>
Tax charge	<u>-</u>	<u>-</u>

13.1 Tax recognised in other comprehensive income

	2021	2020
	€	€
Total income tax recognised in other comprehensive income	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

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

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.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

14. Property, plant and equipment

	Furniture, Computer fixtures and Hardware office equipment		Total
	€	€	€
Cost			
Balance at 1 January 2020	6,996	18,364	25,360
Additions	10,405	1,253	11,658
Balance at 31 December 2020/ 1 January 2021	17,401	19,617	37,018
Additions	8,119	8,334	16,453
Balance at 31 December 2021	25,520	27,951	53,471
Depreciation			
Balance at 1 January 2020	2,047	10,203	12,250
Charge for the year	601	3,126	3,727
Balance at 31 December 2020/ 1 January 2021	2,649	13,329	15,978
Charge for the year	2,419	5,526	7,945
Balance at 31 December 2021	5,068	18,855	23,923
Net book amount			
Balance at 31 December 2021	20,452	9,096	29,548
Balance at 31 December 2020	14,752	6,288	21,040

15. Intangible assets

	Computer software	Total
	€	€
Cost		
Balance at 1 January 2020	22,380	22,380
Balance at 31 December 2020/ 1 January 2021	22,380	22,380
Balance at 31 December 2021	22,380	22,380
Amortisation		
Balance at 1 January 2020	18,375	18,375
Amortisation for the year	4,005	4,005
Balance at 31 December 2020/ 1 January 2021	22,380	22,380
Balance at 31 December 2021	22,380	22,380
Net book amount		
Balance at 31 December 2021	-	-
Balance at 31 December 2020	-	-

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

16. Trade and other receivables

	2021	2020
	€	€
Deposits and prepayments	375	4,145
Other receivables	34	4,056
Refundable VAT	-	932
	<u>409</u>	<u>9,133</u>

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 7 of the financial statements.

17. Investors' Compensation Fund

	2021	2020
	€	€
Balance at 1 January	38,815	48,600
Loss for the year	-	(9,785)
Balance at 31 December	<u>38,815</u>	<u>38,815</u>

In accordance with the Cyprus Securities and Exchange Commission (CySEC) and Cyprus Investment Firms Law and Regulations regarding the establishment and operations of the Investors' Compensation Fund (the "Fund"), investment firms must contribute to the Fund.

The balances with Investors' Compensation Fund are mandatory deposits as per the Investor Compensation Fund Regulations. These deposits are refundable in the case the Company ceases to be considered as an investment firm and provided no claims are pending against it from investors or clients.

18. Cash and cash equivalents

Cash balances are analysed as follows:

	2021	2020
	€	€
Cash at bank	<u>142,495</u>	137,445
	<u>142,495</u>	<u>137,445</u>

An amount of €850 included in cash at bank relates to an immigration guarantees for an employee of the Company.

In addition, an amount of €125.000 included in cash at bank is blocked.

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

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

19. Share capital

	2021 Number of shares	2021 €	2020 Number of shares	2020 €
Authorised				
Ordinary shares of €1 each	226,000	226,000	226,000	226,000
Issued and fully paid				
Balance at 1 January	127,000	127,000	126,000	126,000
Issue of shares	-	-	1,000	1,000
Balance at 31 December	127,000	127,000	127,000	127,000

20. Other reserves

	Capital reserves €	Translation reserve €	Total €
Balance at 1 January 2020	126,124	(19,808)	106,316
Currency translation differences	-	(9,608)	(9,608)
Contributions from shareholders	69,034	-	69,034
Balance at 31 December 2020/ 1 January 2021	195,158	(29,416)	165,742
Currency translation differences	-	(17,219)	(17,219)
Contributions from shareholders	675,074	-	675,074
Balance at 31 December 2021	870,232	(46,635)	823,597

Capital reserves are not available for distribution.

21. Trade and other payables

	2021 €	2020 €
Trade payables	674	-
Social insurance and other taxes	-	9,596
Accruals	11,997	16,080
Other creditors	-	5
	12,671	25,681

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

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 7 in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

22. Operating Environment

With the ongoing development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Company.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

On 24 February 2022, significant events that occurred after the end of the reporting period in relation to the military invasion of Russia into Ukraine are described in note 27 to the financial statements.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. These events did not have an immediate material impact on the business operations.

The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Management will continue to monitor the situation closely and assess in case the period of disruption becomes prolonged.

The Company's Management is unable to predict all developments which could have an impact on the Cyprus and global economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

23. Related party transactions

The Company is controlled by Grandis Holdings (Cayman) Ltd, incorporated in Cayman Islands, which owns 90.1% of the Company's shares.

GRANDIS SECURITIES LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

23. Related party transactions (continued)

The following transactions were carried out with related parties:

23.1 Directors' remuneration

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

	2021	2020
	€	€
Directors' fees - Executive Directors	155,940	134,234
Directors' fees - Non executive Directors	<u>30,000</u>	<u>27,913</u>
	<u>185,940</u>	<u>162,147</u>

23.2 Shareholders' current accounts - credit balances

	2021	2020
	€	€
Atriafinancial Holdings Ltd	<u>2,878</u>	<u>2,878</u>
	<u>2,878</u>	<u>2,878</u>

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

24. Assets under management and clients' funds

The Company holds client funds as a result of transactions carried out by or on behalf of its clients. In this respect separate client accounts are maintained and monitored through the Company's trading platform.

The assets in these accounts are held by the Company in a fiduciary capacity and are not included in these financial statements. The client bank accounts are segregated from the bank accounts of the Company.

The balances held on behalf of clients and the corresponding liability towards the clients are accounted for as off balance sheet items and not reflected in the statement of financial position, since the respective risks and rewards in connection with these balances lie with the clients and the Company is not liable in the event of insolvency, bankruptcy or liquidation of a credit institution or brokers where the mentioned balances are kept.

As at 31 December 2021, the the clients' cash ballances and securities held with brokers on behalf of the Company's clients were €9,399 (2020: €8,619).

25. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2021.

26. Commitments

The Company had no capital or other commitments as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27. Events after the reporting period

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for additional measures in case the crisis becomes prolonged.

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

Independent auditor's report on pages 4 to 5

GRANDIS SECURITIES LTD

COMPUTATION OF WEAR AND TEAR ALLOWANCES

31 December 2021

	Year	%	COST			ANNUAL ALLOWANCES				Net value 31/12/2021 €	
			Balance 01/01/2021 €	Additions for the year €	Disposals for the year €	Balance 31/12/2021 €	Balance 01/01/2021 €	Charge for the year €	On disposals €		Balance 31/12/2021 €
<u>Furniture, fixtures and office equipment</u>											
Offices	2017	10	7,835	-	-	7,835	-	784	-	784	7,051
Desks, Chairs	2020	10	10,490	-	-	10,490	-	1,049	-	1,049	9,441
Office	2021	10	-	7,195	-	7,195	-	720	-	720	6,475
			<u>18,325</u>	<u>7,195</u>	<u>-</u>	<u>25,520</u>	<u>-</u>	<u>2,553</u>	<u>-</u>	<u>2,553</u>	<u>22,967</u>
<u>Computer Hardware</u>											
Computer Hardware	2017	20	20,362	-	-	20,362	-	4,072	-	4,072	16,290
Led monitor	2020	20	1,269	-	-	1,269	-	254	-	254	1,015
Lenovo Docking Station Thinkpad	2021	20	-	240	-	240	-	48	-	48	192
Lenovo Notebook Thinkpad E15	2021	20	-	2,208	-	2,208	-	442	-	442	1,766
Fortigate hardware	2021	20	-	2,470	-	2,470	-	494	-	494	1,976
Led monitor	2021	20	-	364	-	364	-	73	-	73	291
HP Desktop pro	2021	20	-	1,038	-	1,038	-	208	-	208	830
			<u>21,631</u>	<u>6,320</u>	<u>-</u>	<u>27,951</u>	<u>-</u>	<u>5,591</u>	<u>-</u>	<u>5,591</u>	<u>22,360</u>
Total			<u>39,956</u>	<u>13,515</u>	<u>-</u>	<u>53,471</u>	<u>-</u>	<u>8,144</u>	<u>-</u>	<u>8,144</u>	<u>45,327</u>
<u>Computer software</u>											
Software Turbo	2017	33	13,256	-	-	13,256	13,256	-	-	13,256	-
System Configuration	2017	33	9,124	-	-	9,124	9,124	-	-	9,124	-
			<u>22,380</u>	<u>-</u>	<u>-</u>	<u>22,380</u>	<u>22,380</u>	<u>-</u>	<u>-</u>	<u>22,380</u>	<u>-</u>

GRANDIS SECURITIES LTD

COMPUTATION OF CORPORATION TAX 31 December 2021

Net loss per income statement	Page 6	€	€ (652,350)
<u>Add:</u>			
Depreciation		7,945	
Realised foreign exchange loss		1,794	
Annual levy		350	
			<u>10,089</u>
			(642,261)
<u>Less:</u>			
Annual wear and tear allowances	33	8,144	
Realised foreign exchange profit		<u>1,673</u>	
			<u>(9,817)</u>
Net loss for the year			(652,078)
Loss brought forward			<u>(1,059,657)</u>
Loss carried forward			<u>(1,711,735)</u>

CALCULATION OF TAX LOSSES FOR THE FIVE-YEAR PERIOD

Tax year	2016	2017	2018	2019	2020	2021
	€	€	€	€	€	€
Profits/(losses) for the tax year	-	-	-	(652,528)	(407,129)	(652,078)
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						

Net loss carried forward (1,711,735)