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# Renaissance Capital Services Limited

Financial Statements, Strategic Report and Director's Report

for the year ended 31 December 2022

REGISTRATION NUMBER: 07328996

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**General Information**

<b>Directors</b>	A Simone
<b>Secretary</b>	P Thompson (resigned 31 August 2022)
<b>Registered address</b>	Park House 116 Park Street London W1K 6AF United Kingdom
<b>Parent company</b>	Renaissance Financial Holdings Limited Alpha Business Centre, 8 <sup>th</sup> Floor 27, Pindarou Street 1060, Nicosia Cyprus
<b>Auditor</b>	MMBA London Ltd 16 Upper Woburn Place Kings Cross London WC1H 0AF United Kingdom
<b>Bankers</b>	JP Morgan Chase Bank, N.A., London Branch 25 Bank Street, Canary Wharf London E14 5JP United Kingdom

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## Strategic Report

The Director submits his strategic report for the year ended 31 December 2022.

### 1 Results

During the year, Renaissance Capital Services Limited ("the Company") generated a net loss of US\$23,000 (2021: profit of US\$1,000). Equity shareholder's funds at the end of the year were US\$2,918,000 (2021: US\$2,941,000).

The Director does not recommend the payment of a dividend (2021: NIL).

#### Principal activity and review of the business

Renaissance Capital Services Limited is an unregulated entity. It is part of the Renaissance Capital Group, being the Group of companies owned by Renaissance Capital Services Limited's parent company Renaissance Financial Holdings Limited. The principal activity of the Company is to act as the holding company to the Group's US entity, RenCap Securities Inc, a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corp ("SIPC").

During the year, the Company also purchased 93,109 shares in Traction Apps Inc. for US\$150,000. This investment was made as part of a Seed Funding round and represents 0.6% of the share capital. Traction Apps Inc. is a Nigerian-based FinTech company that provides business and financial tools to support business owners.

#### Key Performance Indicators

The Director measures the achievement of the Company's objectives through the use of qualitative assessments and through the monitoring of quantitative indicators, termed key performance indicators (KPIs). In line with the Company's operating objectives, the profit or loss before tax and working capital are monitored on a regular basis. Working capital is defined as the excess of short-term receivables and cash over the Company's short-term liabilities, mainly payables and accrued expenses.

<i>(in thousands of USD)</i>	2022	2021
(Loss)/profit before tax	(22)	1
Working Capital	(20)	(9)

#### Principal risks and uncertainties

As a consequence of its operational activities, the Company is exposed to market, credit, operational and liquidity risk.

Market risk exposure is limited to foreign exchange exposures as the Company predominantly earns revenues in US Dollars and its cash outflows are predominantly in Pounds Sterling.

Credit risk, primarily in the form of counterparty settlement risk, arises from transactions to and from Group companies.

Operational risk is the risk of loss arising from inadequate or failed internal processes, human behaviour and systems or from external events. The Company undertakes a rigorous programme of monitoring and assessing operational risk incidents.

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal or stressed circumstances. The Directors of RCL have established with the director of RCSL an overall liquidity and funding policy in RCL to mitigate the potential risk that the Company may be unable to access adequate financing to service its financial obligations as they become due without material adverse impact on the business.

The principal risks are further explained in note 16 to the Financial Statements.

Signed in accordance with a resolution of the Board of Directors and authorised and approved for issue on 18 May 2023.

A handwritten signature in black ink, appearing to read 'A. Simone'.

A Simone  
Director  
18 May 2023

## Director's Report

The Director submits his report and Financial Statements for the year ended 31 December 2022.

### 1 Directors and their interests

A Simone held the office of Director during the year and since 31 December 2022.

P Thompson held the office of Company Secretary until 31 August 2022.

The Director did not have any interests in the shares of the Company or any other Company which are required to be notified to the Company or disclosed under the Companies Act 2006.

### 2 Financial Risk Management objectives and policies

Details of financial risk management are included in the Strategic report which starts on page 4 and forms part of this report through cross-references. Detailed Financial risk management disclosures are included in Note 16.

### 3 Dividends and Charitable Contributions

The Director does not recommend the payment of a final dividend (2021: final dividend: US\$nil). During the year, the Company made no charitable contributions (2021: US\$nil).

### 4 Future developments

The conflict in Ukraine which commenced on 24 February 2022 and subsequent economic sanctions against Russia has had a major impact on the revenues of both the Company's subsidiary, Rencap Securities Inc, and the Company's UK sister company, Renaissance Capital Limited. This resulted in a significant restructure of both of these companies in May 2022 in order to reduce their costs to a minimum. There are currently material uncertainties as to the continuation of the companies. While management is currently exploring the possibility of a buyout by new shareholders, which would separate these companies from the Renaissance Capital Group, if the buyout is not successful there is a possibility that a decision will be taken to begin wind-down. If this decision is made, this would also result in the wind down of Renaissance Capital Services Limited.

### 5 Statement of Director's Responsibilities in respect of the Financial Statements

The Director is responsible for preparing the strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with UK adopted international accounting standards. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 2 of the Financial Statements the Director does not believe that the going concern basis is appropriate and, in consequence, these Financial Statements have not been prepared on a going concern basis.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure

that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

At the date of the Board of Directors' approval of this Report and Financial Statements for the year ended 31 December 2022 the Director has confirmed that:

- as far as he is aware, there was no relevant audit information of which the auditors were unaware; and
- he has taken all the steps necessary as director in order to make himself aware of any relevant audit information and to establish that the auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

**Auditors**

A resolution to re-appoint MMBA London Ltd as the Company's auditor will be put to the shareholder at the Annual General Meeting.

Signed in accordance with a resolution of the Board of Directors.



A Simone  
Director  
18 May 2023

## Independent Auditor's Report to the Members of Renaissance Capital Services Limited

### Opinion

We have audited the accompanying financial statements of Renaissance Capital Services Limited ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the accompanying financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ((ISAs (UK)) and applicable laws. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Basis of preparation

We draw attention to note 2 to the financial statements, which indicates that there is a material uncertainty in whether the Company will be a going concern due to the significant impact on their business due to sanctions imposed against Russia. The Company has undergone a restructure to reduce the Company's cost base and is currently exploring for solutions which includes a management buyout. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of audit, or otherwise appears to be materially misstated. If we deny such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report on the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:



- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements, including how fraud may occur by enquiring of management of its own consideration of fraud. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also considered potential financial or other pressures, opportunity and motivations for fraud. As part of this discussion, we identified the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations and how management monitor these processes. Appropriate procedures included the review and testing of manual journals and key estimates and judgements made by management.

We evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business. We specifically reviewed journals posted during the weekend and journals posted by senior management. We also assessed the rationale of any round journals posted.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, drawing on our broad experience, and considered the risk of acts by the Company that were contrary to these laws and regulations, including fraud.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements including, but not limited to, the Companies Act 2006, UK tax legislation and other sector specific laws and regulations applicable to the industry.

We made enquiries of management with regards to compliance with applicable laws and regulations and corroborated any necessary evidence to relevant information, for example, minutes of the Directors meetings, Audit and Risk Committee meetings, departmental meetings held, legal reports provided by the management and correspondence between the Company. The enquiries from management also covered any impact on financial statements caused by actual or potential litigation and claims.

We assessed the risk of susceptibility of the entity's financial statements to material misstatements, including how fraud might occur and determined the principle risks related to revenue recognition including cut-off and the appropriateness of the methodology surrounding transfer pricing income.

Our tests also included agreeing the financial statements disclosures to underlying supporting documentation and enquiries with management. We also performed analytical procedures to identify any unusual or expected relationships that may indicate risks of material misstatements due to fraud.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls including testing journals and evaluation whether there was evidence of bias by the

management that represented a risk of material misstatement due to fraud. We also evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company members as a body, for our audit work, for this report, or for the opinions we have formed.



**Mr Waqqas Shabir Memon, BSc, FCCA**  
**Senior Statutory Auditor**  
**For and on behalf of MMBA London Ltd**

Date: 18 May 2023

**Chartered Certified Accountants &**  
**Statutory Auditor**

16 Upper Woburn Place  
Kings Cross  
London  
WC1H 0AF  
United Kingdom

**Statement of Comprehensive Income**

<i>(in thousands of USD)</i>		<b>For the year ended 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Operating income</b>			
Fee and commission income	4	-	10
Interest expense	5	(6)	-
<b>Total operating (loss)/income</b>		<b>(6)</b>	<b>10</b>
Personnel expenses	6	-	8
Other operating expenses	7	(16)	(18)
<b>Total operating expenses</b>		<b>(16)</b>	<b>(10)</b>
<b>Total comprehensive loss before tax</b>		<b>(22)</b>	<b>-</b>
Income tax	15	(1)	1
<b>Total comprehensive (loss)/income for the period</b>		<b>(23)</b>	<b>1</b>

The accompanying notes on pages 15 to 27 are an integral part of these Financial Statements.

**Statement of Financial Position**

<i>(in thousands of USD)</i>		<b>At 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	-	1
Current tax assets		-	1
<b>Non-current assets</b>			
Financial assets held at fair value through profit and loss	9	150	-
Investments in subsidiary undertakings	10	5,498	5,498
<b>Total assets</b>		<b>5,648</b>	<b>5,500</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	11	20	10
Other liabilities	12	2,460	2,549
Loan payable	13	250	-
<b>Total liabilities</b>		<b>2,730</b>	<b>2,559</b>
<b>Equity</b>			
Share capital <sup>1</sup>	14	-	-
Retained earnings		2,918	2,941
<b>Total equity attributed to the shareholder</b>		<b>2,918</b>	<b>2,941</b>
<b>Total liabilities and equity</b>		<b>5,648</b>	<b>5,500</b>

<sup>1</sup> Share capital represents 1 ordinary share issued at GBP1 (US\$ 1.66).

The Financial Statements on pages 11 to 27 were approved by the Board of Directors, authorised for issue and signed on its behalf by:



A Simone  
Director  
18 May 2023

# Statement of Changes in Equity

(in thousands of USD)

	Share capital <sup>1</sup>	Retained earnings	Total
Balance at 1 January 2021	-	2,940	2,940
Net profit/(loss) for the period	-	1	1
Balance at 31 December 2021	-	2,941	2,941
Net profit/(loss) for the period	-	(23)	(23)
Balance at 31 December 2022	-	2,918	2,918

<sup>1</sup> Issued shares represents 1 ordinary share issued at GBP1 (US\$ 1.66).

**Statement of Cash Flows**

<i>(in thousands of USD)</i>	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
<b><i>Cash flows from operating activities</i></b>			
(Loss) / Profit for the year		(23)	1
<b><i>Adjustments for non-cash and other items:</i></b>			
Income tax expense	15	1	(1)
Income tax paid		-	(35)
Interest expense		6	-
Foreign exchange loss		-	3
		<b>(16)</b>	<b>(32)</b>
<b><i>Increase / (decrease) in operating liabilities</i></b>			
Accrued expenses		3	(10)
Other liabilities		(88)	45
<b>Net cash generated (used in)/generated from operations</b>		<b>(101)</b>	<b>3</b>
<b><i>Cash flows from investing activities</i></b>			
Purchase of fair value through profit and loss investments		(150)	-
<b>Net cash used in financing activities</b>		<b>(150)</b>	<b>-</b>
<b><i>Cash flows from financing activities</i></b>			
Loan from Group company		250	-
<b>Net cash generated from financing activities</b>		<b>250</b>	<b>-</b>
Effect of exchange rate differences		-	(3)
<b>Net change in cash and cash equivalents</b>		<b>(1)</b>	<b>3</b>
Cash and cash equivalents at the beginning of the year		1	1
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>1</b>

## Notes to the Financial Statements

### 1 Organisation

Renaissance Capital Services Limited (the "Company" or "RCSL") is a private limited liability company limited by shares incorporated in England and Wales. The principal activity of the Company is to operate as a services entity for Renaissance Capital Limited ("RCL") and act as a holding company for RenCap Securities Inc.

The Financial Statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act. The significant accounting policies adopted by the Company are set out in Note 2.

### 2 Summary of significant accounting policies

#### Basis of preparation

The preparation of the Financial Statements in conformity with UK adopted international accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosed amount of contingent liabilities. Given that the parent company has elected to prepare consolidated financial statements, the Company has made use of the exemption from preparing consolidated financial statements.

The Company's Financial Statements are prepared under the historical cost convention, as modified by the application of fair value measurements and are presented in United States Dollars ("US\$" or "USD"), being the Company's functional currency.

#### Going concern

The Company's director has assessed that material uncertainties exist as to whether the Company can continue as a going concern.

The conflict in Ukraine which commenced on 24 February 2022 and subsequent economic sanctions levied against Russia has had a major impact on the revenues of both the Company's subsidiary, Rencap Securities Inc, and the Company's UK sister company, Renaissance Capital Limited.

This resulted in a significant restructure of both of these companies in May 2022 in order to reduce their costs to a minimum. These companies are currently exploring the possibility of a buyout by new shareholders, which would separate these companies from the Renaissance Capital Group. If the buyout is not successful there is a possibility that a decision will be taken to begin wind-down. If this decision is made, this would also result in the wind down of Renaissance Capital Services Limited.

#### Changes in accounting policy and disclosures

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Company.

#### Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual

Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the financial statements of the Company.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the financial statements of the Company.

#### **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the financial statements of the Company.

#### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the financial statements of the Company.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not acquired for trading. These meet the hold to collect business model test and the solely payments of principal and interest (SPPI) contractual cash flow characteristics test and are as such classified as measured at amortised cost.

#### **Offsetting and netting**

Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Cash and cash equivalents consist of cash in hand and short-term, highly liquid investments with a maturity date of three months or less from the date of acquisition that are readily convertible into known amounts of cash. They are measured at amortised cost.

#### **Impairment of financial assets**

In accordance with IFRS 9, the Company uses the expected credit losses (ECL) approach for recognition of impairment losses.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL").

The ECL is calculated using three components: exposures at default ("EAD"), losses given default ("LGD") and probability of defaults ("PD"). PD is an estimate of the likelihood of default over given time horizon. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. LGD is an estimate of the loss arising in the case where default occurs at a given time.



IFRS 9 introduces a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition:

Stage 1: Financial assets which have not had a significant increase in credit risk since initial recognition.

Stage 2: Financial assets that are considered to have experienced a significant increase in credit risk since initial recognition.

Stage 3: Financial assets which are considered to be credit-impaired.

ECL is recognised in profit or loss as impairment loss on financial assets with corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the balance sheet.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Company allocated financial assets into Stage 1, Stage 2 and Stage 3.

Stage 1 is represented by cash and cash equivalents and receivables due to the short-term nature of these assets (i.e. less than 12-months). The Company recognises loss allowance on these assets based on 12mECL. To estimate the PD, the Company uses credit ratings assigned by external rating agencies. PD is determined based on the rating of a counterparty by reference to the relation between the rating and PD. The LGD is determined based on the average of historic recovery rates for unfunded liabilities as reported by external rating agency, Moody's.

There are no financial assets that are considered to have experienced a significant increase in credit risk since initial recognition, and therefore there are no Stage 2 financial assets.

If the Company determines that a financial asset is credit-impaired based on a qualitative and quantitative assessment, the asset transferred to Stage 3. A financial asset is assessed to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. There are currently no Stage 3 financial assets.

The Company applies the simplified approach and records lifetime expected losses on all trade receivables. For the majority of these assets, the Company uses an internally compiled provision matrix to determine PD.

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Company may write-off financial assets that are still subject to enforcement activity.

For subsidiaries, the Company also assesses at each reporting date whether there is an indication that an investment may be impaired. Where no indication of impairment exists, the investment is carried at cost.

## **Taxation**

### **Income taxes**

Income taxes have been provided for in the Financial Statements in accordance with the tax legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current and deferred taxes and is recognised in the Statement of Income. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than income taxes are recorded within other operating expenses.

### **Deferred taxes**

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are

measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognised only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

### **Provisions and contingencies**

Provisions are recognised when the Company has a current legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless the possibility of any losses in settlement is remote. A contingent asset is not recognised in the Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

### **Share capital**

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

### **Dividends**

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the Financial Statements are authorised for issue.

### **Revenue Recognition**

The company earns management fees from the services it provides to RCL. Revenue is recognised to the extent that probable economic benefits will flow to the company and the revenue can be reliably measured.

### **Foreign Currency Transactions**

Foreign currency transactions are recorded in the functional currency at the rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the Statement of Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### **Standards and interpretations issued but not yet effective**

The following standards and interpretations have been issued, but are not yet effective, up to the date of issuance of the Financial Statements and are expected to impact the Company. The Company intends to adopt these standards, if applicable, when they become effective.

### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application

is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not currently applicable to the Company.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-Current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have an impact on the Company.

#### **Definition of Accounting Estimates – Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimate and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

#### **Disclosure of Accounting Policies – Amendments to IAS1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company.

### **3 Significant accounting judgements and estimates**

In preparing the Financial Statements, the director is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences may be material to the Financial Statements. In the process of applying the Company's accounting policies, the director has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the Financial Statements.

#### **Impairment**

The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions. The Company evaluates impact on its equity from adoption of IFRS 9 impairment requirements and performs detailed analysis which

## Renaissance Capital Services Limited

considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact. The assessment process is based on available data and involves development of risk modelling methodologies and forecast scenarios considering the relative probabilities of each outcome.

### 4 Fees and commission income

<i>(in thousands of USD)</i>	For the year ended 31 December	
	2022	2021
Management fees	-	10
<b>Total management fees</b>	<b>-</b>	<b>10</b>

### 5 Interest expense

<i>(in thousands of USD)</i>	For the year ended 31 December	
	2022	2021
Interest expense on loans from Group Companies	(6)	-
<b>Total management fees</b>	<b>(6)</b>	<b>-</b>

### 6 Personnel expenses

<i>(in thousands of USD)</i>	For the year ended 31 December	
	2022	2021
Insurance and social security contributions	-	(8)
<b>Total personnel expenses</b>	<b>-</b>	<b>(8)</b>

The director of the company was remunerated through Renaissance Capital Limited, a related entity under common control and the total remuneration he received through Renaissance Capital Limited for the financial year was US\$599,000 (2021: US\$706,000), split into US\$348,000 (2021: US\$462,000) of short-term benefits and US\$251,000 (2021: US\$244,000) of long-term benefits.

### 7 Other operating expenses

<i>(in thousands of USD)</i>	For the year ended 31 December	
	2022	2021
Auditor's remuneration for		
- audit services	13	9
Other operating expenses	3	9
<b>Total other operating expenses</b>	<b>16</b>	<b>18</b>

### 8 Cash and cash equivalents

<i>(in thousands of USD)</i>	At 31 December	
	2022	2021
Current accounts with banks	-	1
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>1</b>

### 9 Financial assets held at fair value through profit and loss

<i>(in thousands of USD)</i>	At 31 December	
	2022	2021
Financial assets held at fair value through profit and loss	150	-
<b>Total financial assets held at fair value through profit and loss</b>	<b>150</b>	<b>-</b>

## Renaissance Capital Services Limited

During the year, the Company also purchased 93,109 shares in Traction Apps Inc. for US\$150,000. This investment was made as part of a Seed Funding round and represents 0.6% of the share capital. Traction Apps Inc. is a Nigerian-based FinTech company that provides business and financial tools to support business owners.

### 10 Investments in subsidiary undertakings

The Company has investments in the following companies at 31 December 2022 and 2021:

Company	Country of incorporation	Nature of business	Date of acquisition	2022 Ownership	2021 Ownership
Rencap Securities, Inc	USA	Broker Dealer	1 August 2018	100%	100%
Renaissance Capital Egypt for Promoting and Underwriting of Securities SAE	Egypt	Broker Dealer	3 October 2017	0%	0%

The Company holds 100% of the share capital of US broker dealer, RenCap Securities Inc. The shares are ordinary shares and entitle the Company to 100% of the voting rights in the subsidiary. RenCap Securities Inc. address is 142 W 57<sup>th</sup> Street, 8<sup>th</sup> Floor Suite 100, New York, NY 10019, United States of America.

The Company previously held 0.00002% (cost US\$0.06) of the share capital of an Egyptian company, Renaissance Capital Egypt for Promoting and Underwriting of Securities S.A.E, which is 100% owned by the Renaissance Capital Group. This was disposed of during 2022.

### 11 Accrued expenses

<i>(in thousands of USD)</i>	2022	At 31 December 2021
Interest payable	6	-
Other accrued expenses	14	10
<b>Total accrued expenses</b>	<b>20</b>	<b>10</b>

### 12 Other liabilities

<i>(in thousands of USD)</i>	2022	At 31 December 2021
Amounts due to Group companies	2,460	2,549
<b>Total other liabilities</b>	<b>2,460</b>	<b>2,549</b>

### 13 Loan payable

<i>(in thousands of USD)</i>	2022	At 31 December 2021
Amounts due to Group companies	250	-
<b>Total other liabilities</b>	<b>250</b>	<b>-</b>

The loan is payable to Renaissance Financial Holdings Limited maturing on 24 July 2022 and carrying interest at 2.5%.

**14 Share Capital***(in thousands of USD)*

	At 31 December	
	2022	2021
<b>Share Capital</b>		
1 ordinary share issued at GBP1 (US\$1.66) (2021: GBP1)	-	-
<b>Total share capital (authorised and called up)</b>	-	-

**15 Income taxes****15.1 Income tax expense****a) Analysis of charge in the year end****Tax charged in the Statement of Income***(in thousands of USD)*

	For the year ended 31 December	
	2022	2021
The charge for taxation comprises		
<b>Current tax</b>		
Adjustments in respect of prior periods	1	(1)
<b>Income tax charge reported in Statement of Income</b>	<b>1</b>	<b>(1)</b>

**b) Factors affecting tax charge for the year end**

The tax assessed for the year end reflects that standard rate of corporation tax in the UK for the period (19%). The factors are explained below:

*(in thousands of USD)*

	For the year ended 31 December	
	2022	2021
Profit on ordinary activities before tax	(22)	-
<b>Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%</b>	<b>(4)</b>	<b>-</b>
<b>Effects of</b>		
Adjustments in respect of prior periods	1	-
Deferred tax assets not recognised	4	(1)
<b>Total income tax charge for the year end</b>	<b>1</b>	<b>(1)</b>

**15.2 Deferred tax**

Differences between IFRS and the statutory taxation regulations in force give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the applicable rate of tax.

The deferred tax asset, comprising deductible temporary differences (US\$111,000 gross) and tax losses (US\$37,000 gross), has not been recognised on the balance sheet at 31 December 2022 due to uncertainty over future profits against which these can be utilised.

The Finance Act 2021 increased the corporation tax rate in the United Kingdom to 25% from 1 April 2023.

**15.3 Tax legislation**

Based upon the director's understanding of the tax regulations, the director believes his interpretation of the relevant tax legislation is sustainable. The director believes that the Company has accrued all applicable taxes.

## 16 Financial risk management

### Financial risk factors

The Company's business services activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, and liquidity. The Company's director has delegated to the RCL Audit & Risk Committee the responsibility for setting risk management policies. These apply equally to RCL and the Company.

The policies are implemented by the Risk Department that reviews all the trading activities to enable prompt identification of financial risks so that appropriate actions may be taken. The Renaissance Capital Group's Treasury Department sets out specific guidelines to manage foreign exchange risk and the use of financial instruments to manage these.

The table below represents the breakdown of the financial instruments by classes:

(in thousands of USD)

	At 31 December 2022				
	At fair value		At amortised cost		
	Total	Trading Portfolio	Balances with counterparties & central clearing house	'Repo' and other financing	Other financial assets
<b>Assets</b>					
Cash and cash equivalents	-	-	-	-	-
Financial assets held at fair value through profit and loss	150				150
<b>Total financial assets</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150</b>

(in thousands of USD)

	At 31 December 2021				
	At fair value		At amortised cost		
	Total	Trading Portfolio	Balances with counterparties & central clearing house	'Repo' and other financing	Other financial assets
<b>Assets</b>					
Cash and cash equivalents	1	-	-	-	1
Financial assets held at fair value through profit and loss	-	-	-	-	-
<b>Total financial assets</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>

Detailed below are the primary risks associated with the Company's business:

### Market risk

#### Currency Risk

The Company does not enter into forward exchange contracts for the purpose of hedging anticipated transactions. The Company utilises Spot Foreign Exchange rates to settle operational expenses denominated in a currency other than the functional currency of the Company. All gains and losses resulting from the settlement of the operational expenses are recorded within the Statement of Income.

## Renaissance Capital Services Limited

<i>(in thousands of USD)</i>				
	USD	At 31 December 2022		Total
		GBP	Other	
<b>Assets</b>				
Cash and cash equivalents	-	-	-	-
Financial assets held at fair value through profit and loss	150	-	-	150
<b>Total financial assets</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>150</b>

  

<i>(in thousands of USD)</i>				
	USD	At 31 December 2021		Total
		GBP	Other	
<b>Assets</b>				
Cash and cash equivalents	1	-	-	1
Financial assets held at fair value through profit and loss	-	-	-	-
<b>Total financial assets</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

The Company is not impacted by price and interest risk.

### Credit risk

The Company has no significant concentrations of credit risk with external counterparties.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position

<i>(in thousands of USD)</i>				At 31 December 2022
	Gross maximum exposure	Value of collateral held		Net exposure
Cash and cash equivalents	-	-		-
Financial assets held at fair value through profit and loss	150	-		150

  

<i>(in thousands of USD)</i>				At 31 December 2021
	Gross maximum exposure	Value of collateral held		Net exposure
Cash and cash equivalents	1	-		1
Financial assets held at fair value through profit and loss	-	-		-

The table below provides a breakdown of the Company's maximum counterparty exposure by ratings. The Company applies the internal rating system of counterparties' classification by their credit quality and default probability. The Company uses similar rating classes as external rating agencies. The Company's counterparty exposures are largely short term.

<i>(in thousands of USD)</i>			At 31 December	
			2022	2021
<b>Internal rating</b>				
A			-	1
Not rated			150	-
<b>Total balance sheet items</b>			<b>150</b>	<b>1</b>

### Liquidity and Funding Risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, the director of the Company established an overall liquidity and funding framework, managed through RCL. The liquidity and funding risk management framework is designed to mitigate the potential risk that the Company may be unable to access adequate financing to service its financial obligations when they become due without material adverse impact on the business.



## Renaissance Capital Services Limited

The key objectives of the liquidity and funding risk management framework are to support the successful execution of business strategies while ensuring ongoing and sufficient liquidity through the business cycle and during periods of financial distress. Through various RCL risk and control committees, the director of the Company reviews business performance relative to this framework, monitors the availability of alternative sources of financing, and oversees the liquidity and currency sensitivity of the Company's asset and liability position.

These committees, along with the Renaissance Capital Group's Treasury Department and other control functions, also assist in evaluating, monitoring and controlling the impact that the Company's business activities have on its consolidated Statement of Financial Position, liquidity and capital structure, thereby helping to ensure that its business activities are integrated with the Company's liquidity and funding framework.

### Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at 31 December 2022 and 2021 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

(in thousands of USD)

	At 31 December 2022					
	Call	3 months or less	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Financial assets held at fair value through profit and loss	-	-	-	-	150	150
<b>Total financial assets</b>	-	-	-	-	150	150

(in thousands of USD)

	At 31 December 2021					
	Call	3 months or less	3 to 12 months	1 to 5 years	No specified maturity	Total
<b>Assets</b>						
Cash and cash equivalents	1	-	-	-	-	1
Financial assets held at fair value through profit and loss	-	-	-	-	-	-
<b>Total financial assets</b>	1	-	-	-	-	1

### Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human behaviour and systems or from external events. The Company undertakes a rigorous programme, through RCL, of monitoring and assessing operational risk. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures. RCL has monthly KRI reporting in place in order to assess and manage operational risk.

## 17 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to its substance not merely the legal form.

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding as at 31 December 2022 are set out below.

## Renaissance Capital Services Limited

### Balances with related parties

At 31 December 2022 and 2021 the outstanding balances with related parties were as follows:

*(in thousands of USD)*

	At 31 December 2022		
	Parent	Entities under common control	Subsidiaries
<b>Assets</b>			
Investments in subsidiary undertakings	-	-	5,498
<b>Total assets</b>	-	-	<b>5,498</b>
<b>Liabilities</b>			
Accrued expenses	6	-	-
Other liabilities	-	2,460	-
Loan payable	250	-	-
<b>Total liabilities</b>	<b>256</b>	<b>2,460</b>	<b>-</b>

*(in thousands of USD)*

	At 31 December 2021		
	Parent	Entities under common control	Subsidiaries
<b>Assets</b>			
Investments in subsidiary undertakings	-	-	5,498
<b>Total assets</b>	-	-	<b>5,498</b>
<b>Liabilities</b>			
Accrued expenses	-	-	-
Other liabilities	-	2,549	-
Loan payable	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,549</b>	<b>-</b>

Balances with entities under common control consists solely of balances with Renaissance Capital Limited.

Unless otherwise stated elsewhere in the financial statements, all intercompany balances are unsecured, interest free and repayable on demand.

### Transactions with related parties

The income and expense items with related parties for the years ended 31 December 2022 and 31 December 2021 were as follows:

*(in thousands of USD)*

	At 31 December 2022		
	Parent	Entities under common control	Subsidiaries
Interest expense	(6)	-	-
Management fees	-	-	-

  

	At 31 December 2021		
	Parent	Entities under common control	Subsidiaries
Interest expense	-	-	-
Management fees	-	(11)	-

Transactions with entities under common control consist solely of transactions with Renaissance Capital Limited.

**18 Financial commitments and contingencies**

At 31 December 2022 the Company had no capital commitments (2021: US\$NIL).

**19 Events occurring subsequent to the reporting date**

There were no events occurring subsequent to the reporting date requiring disclosure in these Financial Statements.

**20 Controlling party and parent company**

The Group's ultimate parent undertaking and controlling party at the year-end is Onexim Holdings Limited (Cyprus). The sole beneficiary of this undertaking is Mikhail Prokhorov. The Company's immediate parent company, Renaissance Financial Holdings Limited, is the largest and smallest group preparing consolidated financial statements in accordance with IFRS. These financials are available at Alpha Business Centre, 8<sup>th</sup> Floor, 27 Pindarou Street, 1060, Nicosia, Cyprus, and in accordance with section 401 of the Companies Act 2006 are filed together with the Company's financial statements. Given that the parent company has elected to prepare consolidated financial statements, the Company has made use of the exemption from preparing consolidated financial statements.

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**Renaissance  
Capital**

**Renaissance  
Financial Holdings Limited**

**Financial Statements 2022**

International Financial Reporting Standards

**Consolidated Financial Statements and Independent Auditor's Report**

for the year ended 31 December 2022

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## General information

Directors	Dmitry Razumov Sergey Gorskiy (appointed on 27 April 2023) Marios Liasidis (appointed on 27 April 2023) Michael Sosnovsky (resigned on 27 March 2023) Anthony Simone (resigned on 24 March 2023) Ruslan Babaev (resigned on 24 March 2023) Anna Vyshlova (resigned on 24 March 2023)	
Secretary	A.T.S. Services Limited	
Registered addresses	4 Foti Pitta, Labs Tower, 3 <sup>rd</sup> floor, 1065 Nicosia, Cyprus	
Main locations	4 Foti Pitta, Labs Tower, 3 <sup>rd</sup> floor, 1065 Nicosia, Cyprus	10th Floor, Pramukh Tower Westlands Road, Westlands Nairobi Kenya
	The Wings Office Complex 6th Floor, Level 11, East Tower 17A Ozumba Mbadiwe Road Victoria Island, Lagos Nigeria	Naberezhnaya Tower, Block C 10, Presnenskaya Naberezhnaya Moscow, 123112 Russian Federation
	116 Park Street London W1K 6AF United Kingdom	780 3rd Avenue, 20th Floor New York, NY 10017 United States of America
Shareholder	Onexim Holdings Limited Vryonos, 36 NICOSIA TOWER CENTER, 8 <sup>th</sup> Floor Flat/Office 801 1506, Nicosia Cyprus	
Independent auditors	FinExpertiza Cyprus 1, Chatzidaki street, Ledra Court 5 <sup>th</sup> Floor, Office 501 1066 Nicosia Cyprus	

# Management Report

The Board of Directors presents its report together with the audited Consolidated Financial Statements of Renaissance Financial Holdings Limited (the "Company" or "RFHL", and together with its subsidiaries the "Group" or "Renaissance Capital") for the year ended 31 December 2022.

## Principal activities

RFHL is a parent company for a group of companies incorporated in various geographies, including Africa, Bermuda, Europe, Middle East, Russia and the United States of America. The Group has offices in Lagos, London, Moscow, Nairobi, Nicosia and New York.

The Group carries out two main types of activities being:

- Securities trading and brokerage – executing clients' orders, taking positions for the Group's own account, providing brokerage services for international and local clients, as well as structured products activities (including but not limited to equity-linked synthetic products and derivative products);
- Investment banking – advising and assisting clients involved in acquisitions, mergers and reorganizations, as well as advisory and execution services relating to equity and debt placements.

## Board of Directors

The members serving in the Board of Directors during the period 1 January 2022 through the date of this report are shown on page 2. There is no specific provision in the Company's Articles of Association for the rotation of Directors. Consequently, they continue in office unless special notice is given to the contrary.

## Results for the year and dividends

The Company's results, which are stated in thousands of United States Dollars, for the year ended 31 December 2022 are set out on page 10 of the Consolidated Financial Statements. Total comprehensive income for the year amounted to US\$267,103 (31 December 2021 - US\$16,642).

In 2022, the Company distributed dividends to the shareholder in the amount of US\$436,545 (Note 28 of the Consolidated Financial Statements).

In 2021, the Company distributed and paid dividends to the shareholder in the amount of US\$26,000 (Note 28 of the Consolidated Financial Statements).

## Share capital

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

## Operating environment

Renaissance Capital operates with a focus on emerging markets, including historically Russia.

The military-political conflict between Russia and Ukraine broken out in February 2022 and the escalation of tensions between the European Union ("EU"), the United States ("USA") and the United Kingdom ("UK") on the one hand and Russia on the other led to significant diversity of sanctions imposed from both sides. Starting from mid-February 2022 the Group has been negatively impacted by the external factors affecting financial markets, including severe restrictions to trading on Russian markets, restrictions on depositary movements between Russian and foreign depositories (primarily – Euroclear), international sanctions imposed by EU, USA and UK, significant negative revaluation of Russian equities, linked depositary receipts as well as Russian-issued bonds, significant volatility on derivatives and FX markets.

In response to the worsened operating environment the Group has undertaken a number of actions aiming at providing transparency about the situation to the regulators, clients and counterparties and at the same time addressing key challenges negatively affecting its business. As of the date of the Consolidated Financial Statements, while the situation has improved the challenges still remain and the Group continues to undertake its efforts in this respect.

A key challenge during the first quarter 2022 was the significant pressure on the Group's liquidity. As the liquidity situation was improving the Group's focus was moved more towards the unwinding of its proprietary positions and the settlement of the outstanding clients' and counterparties' liabilities in full compliance with EU, US and UK

sanctions regimes. During 2022 and the first half of 2023, the Group made significant progress in resolving outstanding balances and in stabilization of its financial position.

Despite the stabilization of the Group's financial position, Management of the Group has made an assessment of the future prospects and concluded that given the global geopolitical sentiment the Group's historical business model is not sustainable in the longer term.

As such, the following restructuring measures have been agreed:

- Cyprus business restructuring: focus on agency trading with international counterparties; no directional proprietary trading or trading on margin involved; revision of the Cyprus broker's existing client base in accordance with the revised business model and infrastructure cost optimization.
- Sale of the Russian business subject to the approval from the Russia's authorities.
- Material restructuring of UK and US offices to continue as a niche player in frontier and emerging markets.
- Management buy-outs for the African subsidiaries of the Group.

Based on the information presented above we conclude that there are sufficient arguments that support preparation of the consolidated financial statements for the year ended 31 December 2022 on a going concern basis in accordance with IAS 1. In particular, the Board of Directors notes that:

- The timely implementation of recovery procedures has allowed the Group to avoid insolvency throughout the peak and any other time of the ongoing crisis.
- The Group has sufficient capital and liquidity to settle existing obligations to both its trading counterparties and clients.
- The Company received the financial support letter dd 26 April 2023 from Onexim Holdings Limited ("OHL"), shareholder of the Company, confirming its ability to financially support the Group, if and when required.
- The Group retains access to critical personnel, experience and infrastructure to continue its operations.

However, the current situation involves a significant number of material uncertainties in relation to the going concern of the Group:

- The Group as well as its trading counterparties and clients and operating environment are subject to further effects of the ongoing geopolitical crisis, volatility on core markets and other factors outside the control of the Group's Management. The potential occurrence and significance of impact of such factors represents material uncertainty.
- Further unwind of the Group's assets and liabilities depends on a number of factors outside of the Group's control, foremost the cooperation of Russian authorities, given a significant part of the Group's assets are securities in Russia, and the material uncertainties are around the valuation and the possibility to realize such assets.

The Company's Board of Directors has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

Notwithstanding this assessment and the conclusion reached, the Board of Directors considers that unless there is a successful outcome to the Material Uncertainties (Note 3.4 of the Consolidated Financial Statements), there may be significant doubt upon the Group's ability to continue as a going concern.

#### **Events occurring after the reporting date**

There were no events occurring subsequent to the reporting date, other than noted within the Operating Environment set out above and in Note 38 of the Consolidated Financial Statements.

#### **Statement by the members of the Board of Directors**

The members of the Board of Directors, who are shown on page 3, are responsible for the preparation of the Consolidated Financial Statements and state that the information presented in the Consolidated Financial Statements is true and complete and that this information is the product of careful and conscientious work. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law.



**Independent auditors**

In 2023, the Independent Auditors of the Company, Ernst and Young Cyprus Limited, resigned and FinExpertiza Cyprus was appointed in their place.

The independent auditors of the Company, Finexpertiza Cyprus Limited, have signified their willingness to continue in office. A resolution reappointing them and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board of Directors



Director  
Dmitry Rezumov



Director  
Marios Liasidis

4 August 2023

## **Independent Auditor's Report**

### **To the Members of Renaissance Financial Holdings Limited**

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

##### **Opinion**

We have audited the consolidated financial statements of Renaissance Financial Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are presented in pages 10 to 55 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We are independent of the Group 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 consolidated 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.

##### **Material Uncertainty Related to Going Concern**

We draw attention to Note 3.4 "Material uncertainties in relation to going concern", Note 4 "Going Concern" and Note 37 "Operating environment" in the consolidated financial statements, which indicate that the Group has been negatively impacted by disruptions in the Russian operating environment and volatility on the Russian financial market following the introduction of the sanctions against Russia by a number of countries and counter sanctions introduced by the Russian government. These events and conditions, along with other matters as set forth in Note 3.4, Note 4 and Note 37 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Independent Auditor's Report (continued)**

### **To the Members of Renaissance Financial Holdings Limited**

#### **Emphasis of Matter**

We also draw attention to Note 34 "Fair value of financial instruments" of the financial statements, which describes the uncertainty surrounding the valuation of certain Russian securities held by the one of the Group's principal subsidiary as at 31 December 2022. These securities could not be valued using level 1 inputs as the market was inaccessible to this subsidiary. However, the Group has determined the fair value of these securities based on market quoted price from the Russian stock exchange as at 31 December 2022 and has classified them as level 2 based on the fair value hierarchy. The determination of the fair value of these securities based on market quoted prices from an inaccessible market may be subject to uncertainty and may be affected by factors that are not within the Group's control. Therefore, the valuations of these securities may not be reliable and could differ significantly from their actual values. As a result, we emphasize that the uncertainty surrounding the valuation of these Russian securities could have a material impact on the financial statements of the company. We encourage users of the financial statements to carefully consider this uncertainty when assessing the financial position and performance of the Group. Our opinion is not modified with respect to this matter.

#### **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 consolidated financial statements and our auditor's report thereon.

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

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

#### **Responsibilities of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Independent Auditor's Report (continued)**

### **To the Members of Renaissance Financial Holdings Limited**

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

## **Independent Auditor's Report (continued)**

### **To the Members of Renaissance Financial Holdings Limited**

#### **Other Matters**

This report, including the opinion, has been prepared for and only for the Group'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.

#### **Comparative figures**

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 30 June 2022.



Michael J. Hadjithannis  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**FinExpertiza Cyprus**  
Certified Public Accountants and Registered Auditors

Nicosia, 4 August 2023

# Consolidated Statement of Comprehensive Income

(in thousands of United States Dollars)

		For the year ended 31 December	
	Note	2022	2021
Net trading income		357,326	88,508
Fee and commission income	6	47,439	68,841
Fee and commission expense	6	(19,615)	(35,422)
Interest income calculated using effective interest rate	7	36,647	52,227
Other interest income	7	23,194	18,844
Interest expense	7	(57,319)	(38,565)
Impairment loss on financial assets other than related parties	8	(10,843)	(20)
<b>Total operating income before impairment of balances with related parties</b>		<b>376,829</b>	<b>154,413</b>
Reversal of impairment loss on balances with related parties	8	58,218	7,182
<b>Total operating income</b>		<b>435,047</b>	<b>161,595</b>
Salary and other personnel expenses	9	(54,526)	(51,402)
Performance related expenses	9	(66,347)	(42,488)
Other operating expenses	10	(29,155)	(33,592)
Depreciation and amortization	17, 18, 19	(6,049)	(7,024)
<b>Total operating expenses</b>		<b>(156,077)</b>	<b>(134,506)</b>
Restructuring provision	30	-	(1,875)
<b>Profit before tax before impairment of balances with related parties</b>		<b>220,752</b>	<b>18,032</b>
<b>Total profit before tax</b>		<b>278,970</b>	<b>25,214</b>
Income tax expense	29	(11,422)	(6,311)
<b>Net profit for the year before impairment of balances with related parties</b>		<b>209,330</b>	<b>11,721</b>
<b>Net profit for the year</b>		<b>267,548</b>	<b>18,903</b>
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation		(445)	(2,261)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(445)</b>	<b>(2,261)</b>
<b>Total comprehensive income for the year</b>		<b>267,103</b>	<b>16,642</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position

(in thousands of United States Dollars)

		At 31 December	
	Note	2022	2021
<b>Assets</b>			
Cash and cash equivalents	11	371,059	346,741
Financial assets at fair value held for trading	12	489,897	335,161
Trading assets pledged as collateral	12	76,266	666,957
Derivative financial assets	13	6,009	220,257
Securities purchased under agreements to resell	14	63,799	947,675
Receivables	15	199,358	1,020,281
Loans receivable	16	-	426,979
Current tax assets		3,851	4,503
Deferred tax assets	29	461	2,876
Intangible assets	17	3,380	4,425
Property and equipment	18	2,152	3,009
Right-of-use assets	19	9,328	15,723
Other assets	20	8,830	11,301
<b>Total assets</b>		<b>1,234,390</b>	<b>4,005,688</b>
<b>Liabilities</b>			
Financial liabilities at fair value held for trading	21	15,469	195,427
Derivative financial liabilities	22	1,340	153,128
Securities sold under agreements to repurchase	23	182,494	2,146,801
Payables	24	612,739	798,196
Financial liabilities designated at fair value through profit or loss	25	11,268	112,589
Accrued expenses	26	42,046	59,720
Current tax liabilities		7,359	9,503
Deferred tax liabilities	29	6,314	-
Lease liabilities	19	9,483	16,134
Other liabilities	27	59,459	58,329
<b>Total liabilities</b>		<b>947,971</b>	<b>3,549,827</b>
<b>Equity</b>			
Share capital	28	24	24
Retained earnings	28	328,687	497,684
Other reserves		(42,292)	(41,847)
<b>Total equity</b>		<b>286,419</b>	<b>455,861</b>
<b>Total liabilities and equity</b>		<b>1,234,390</b>	<b>4,005,688</b>

Signed in accordance with a resolution of the Board of Directors.

  
 Director  
 Dmitry Razumov  
 4 August 2023

  
 Director  
 Marios Liasidis

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

(in thousands of United States Dollars)

	Attributed to equity holders of the parent			Total equity
	Share capital	Retained earnings	Foreign currency translation reserve	
Balance at 1 January 2021	24	504,781	(39,586)	465,219
Net profit for 2021	-	18,903	-	18,903
Other comprehensive loss for 2021	-	-	(2,261)	(2,261)
Dividends distribution (Note 28)	-	(26,000)	-	(26,000)
Balance at 31 December 2021	24	497,684	(41,847)	455,861
Net profit for 2022	-	267,548	-	267,548
Other comprehensive loss for 2022	-	-	(445)	(445)
Dividends distribution (Note 28)	-	(436,545)	-	(436,545)
Balance at 31 December 2022	24	328,687	(42,292)	286,419

The accompanying notes are an integral part of these Consolidated Financial Statements.



# Consolidated Statement of Cash Flows

(in thousands of United States Dollars)

		For the year ended 31 December	
	Note	2022	2021
<b>Cash flows from operating activities</b>			
Net profit for the year		267,548	18,903
<b>Adjustments for non-cash and other items:</b>			
Depreciation and amortization		6,049	7,024
Write-down, disposal and other changes of property and equipment, intangible assets and long-term lease		(293)	78
Income tax expense	29	11,422	6,311
Change in accrued interest expense on financing activities		153	(29)
Reversal of impairment loss on financial assets	8	(47,375)	(7,162)
Restructuring provision	30	-	1,875
<b>Net cash inflows from operating activities</b>		<b>237,504</b>	<b>26,998</b>
<b>(Increase) decrease in operating assets</b>			
Financial assets at fair value held for trading including trading assets pledged as collateral	12	435,955	(238,935)
Derivative financial assets	13	214,248	(66,372)
Securities purchased under agreements to resell	14	883,878	(40,174)
Receivables	15	810,280	(63,592)
Loans receivable	16	48,652	59,877
Other assets	20	1,648	(2,604)
<b>Increase (decrease) in operating liabilities</b>			
Financial liabilities at fair value held for trading	21	(179,958)	(68,933)
Financial liabilities designated at fair value through profit or loss	25	(101,321)	(39,223)
Derivative financial liabilities	22	(151,788)	24,845
Securities sold under agreements to repurchase	23	(1,964,307)	620,490
Payables	24	(185,457)	(212,112)
Accrued expenses and other liabilities		(16,544)	2,596
Income tax paid		(3,562)	(10,921)
<b>Net cash generated from (used in) operations</b>		<b>29,226</b>	<b>(8,060)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	17	(183)	(248)
Purchase of property and equipment	18	(206)	(353)
<b>Total cash flows used in investing activities</b>		<b>(389)</b>	<b>(601)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	19	(3,874)	(5,041)
Redemption of debt issued		-	(22,601)
Dividends paid to the shareholder	28	-	(26,000)
<b>Total cash flows used in financing activities</b>		<b>(3,874)</b>	<b>(53,842)</b>
<b>Net change in cash and cash equivalents</b>		<b>24,963</b>	<b>(62,503)</b>
Cash and cash equivalents at the beginning of the year		346,741	411,506
Foreign currency translation		(445)	(2,261)
Allowance for cash and cash equivalents impairment		(200)	(200)
<b>Cash and cash equivalents at the end of the year</b>		<b>371,059</b>	<b>346,542</b>
<b>Supplementary information</b>			
Cash received as interest		44,589	70,701
Cash paid as interest		54,041	38,843
Net cash received (paid) as dividends on trading portfolio		33,447	(1,542)

## Non-cash Items:

In 2022, the Company had the following offsetting arrangements:

- Set-off of loan receivable from the shareholder with the dividends distribution to the shareholder in the amount of US\$436,545.

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

(in thousands of United States Dollars)

## 1 Organisation

Renaissance Financial Holdings Limited (the "Company" or "RFHL", and together with its subsidiaries the "Group" or "Renaissance Capital") was a private limited liability company incorporated in Bermuda on 18 November 2002 under the Companies Act 1981 of Bermuda, as amended from time to time. On 8 December 2020, the Board of Directors of RFHL resolved the redomiciliation of the Company from Bermuda to Cyprus, which was approved by the shareholder of RFHL on 23 June 2021 (the "Redomiciliation"). The Redomiciliation was completed on 16 July 2021 and RFHL was registered in accordance with the Cyprus Company Law Cap 113 as a company continuing in the Republic of Cyprus. The redomiciliation of the Company from Bermuda to Cyprus does not affect the activities, assets, liabilities and obligations of the Company and the Group.

As at 31 December 2022 and 2021, Onexim Holdings Limited ("OHL" and together with its subsidiaries "Onexim"), a limited liability company incorporated under the laws of Cyprus, was the only shareholder of RFHL owning 100% of its entire share capital.

The sole beneficiary of OHL is Mikhail Prokhorov.

RFHL is a parent company for a group of companies incorporated in various geographies, including Africa, Bermuda, Europe, Middle East, Russia and the United States of America. The Group has offices in Lagos, London, Moscow, Nairobi, Nicosia and New York

The Group carries out two main types of activities being:

- Securities trading and brokerage – executing clients' orders, taking positions for the Group's own account, providing brokerage services for international and local clients, as well as structured products activities (including but not limited to equity-linked synthetic products and derivative products);
- Investment banking – advising and assisting clients involved in acquisitions, mergers and reorganizations, as well as advisory and execution services relating to equity and debt placements.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The Consolidated Financial Statements of the Group ("Consolidated Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113. The principal accounting policies applied in the preparation of the Consolidated Financial Statements are set out below. These policies have been consistently applied during the years presented.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified, where appropriate, by the revaluation of financial assets and financial liabilities at fair value held for trading, financial assets and liabilities designated as at fair value through profit or loss and derivative contracts.

Preparation of financial statements in conformity with IFRS requires the use of estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the Consolidated Financial Statements are detailed in Note 3.

The Consolidated Financial Statements are presented in thousands of United States Dollars ("US\$").

### 2.2 Consolidation

The Consolidated Financial Statements include the financial statements of RFHL and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

### **2.3 Application of significant accounting policies**

The Group's accounting policies described herein are integral to understanding its results of operations and financial condition. The preparation of the Consolidated Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense for the reporting periods. Management evaluates its estimates and judgments on an ongoing basis, including those related to provisions, investments, income taxes, contingencies and litigations. The Group's Management bases its estimates and judgments on historical experience or any relevant information available and on various other factors. Actual results can be different from these estimates and such differences may be material.

### **2.4 Goodwill**

Goodwill recognised in a business combination represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

## 2.5 Financial assets and liabilities

### Financial assets

#### Initial recognition

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

#### Initial measurement

The Group classifies its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost,
- Fair value through profit or loss ("FVTPL"),
- Fair value through other comprehensive income ("FVOCI").

#### a) Financial assets measured at amortised cost

The Group only classifies and measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

The details of these conditions are outlined below.

#### Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may

change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group includes in the category of financial assets measured at amortised cost cash and cash equivalents, securities purchased under agreements to resell, loans and other receivables. After initial measurement, such financial assets measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition, and costs that are an integral part of the EIR.

#### *Modifications*

The Group may modify loans and receivables conditions. This may involve extending the payment arrangements and the agreement of other new conditions.

The Group derecognises a financial asset, such as a loan or receivable, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised financial assets are classified as Stage 1 for ECL measurement purposes, unless they are deemed to be purchased or originated credit-impaired ("POCI"). When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the asset;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss in the Consolidated Statement of Comprehensive Income, to the extent that an impairment loss has not already been recorded.

When the contractual terms of receivables, loans and other receivables are short-term, the Group and the counterparties may rollover their contracts with renegotiated interest rates in response to changes in market conditions and other factors. The Group considers such rolled over contracts as continuation of original instruments bearing quasi-floating interest rates and does not recognize any modification gain or loss on rollover if interest rate changes.

The Group considers change in the party for the loans and receivables without substantive changes in the credit risk as a non-substantial modification, does not derecognize the financial instrument and does not recognize any modification gain or loss in the Consolidated Statement of Comprehensive Income.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired.

#### **b) Financial assets measured at fair value through profit or loss**

The Group classifies and measures its derivative and trading portfolio at FVTPL as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group classifies financial assets as held for trading when they have been purchased or entered into primarily for short-term profit making through trading activities.

Changes in fair value are recognised in net trading income. Dividend income or expense is recorded in net trading income when the right to payment has been established. Interest earned on these instruments is recorded separately as interest income in the Consolidated Statement of Comprehensive income.

#### **c) Financial assets measured at fair value through other comprehensive income**

The Group does not have any financial assets measured at fair value through other comprehensive income.

## Financial liabilities

Financial liabilities are classified and measured at FVTPL if they are held for trading or if they are derivative instruments or are designated at FVTPL, otherwise financial liabilities classified and measured at amortised cost. The Group includes in the category of financial liabilities measured at amortized cost debt issued, securities sold under agreements to repurchase, loans and payables.

The Group determines the classification of its financial liabilities at initial recognition. When financial liabilities are recognised initially, they are measured at fair value, minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Debt issued and other borrowed funds are subsequently measured at amortized cost using the EIR.

## 2.6 Impairment of financial assets

The Group is recording allowance for expected credit losses ("ECL") for all loans, receivables and other financial assets not held at FVTPL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL").

The ECL is calculated using three components: exposures at default ("EAD"), losses given default ("LGD") and probability of defaults ("PD"). PD is an estimate of the likelihood of default over given time horizon. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. LGD is an estimate of the loss arising in the case where default occurs at a given time.

The Group is using a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition:

Stage 1: Financial assets which have not had a significant increase in credit risk since initial recognition.

Stage 2: Financial assets that are considered to have experienced a significant increase in credit risk since initial recognition.

Stage 3: Financial assets which are considered to be credit-impaired.

ECL is recognized in profit or loss as impairment loss on financial assets with corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortized cost on the balance sheet.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group allocated financial assets into Stage 1, Stage 2 and Stage 3.

As of 31 December 2022 and 2021, Stage 1 is represented by cash and cash equivalents, securities purchased under agreements to resell, receivables from external parties, including due from brokers and dealers, customers and fees and commissions receivables, due to the short-term nature of these assets (i.e. less than 12-months). The Group recognises loss allowance on these assets based on 12mECL. To estimate the PD, the Group uses credit ratings assigned by external rating agencies. PD is determined based on the rating of a counterparty by reference to the relation between the rating and PD. The LGD is determined based on the average of historic recovery rates for unfunded liabilities as reported by external rating agency, Moody's.

As of 31 December 2021, Stage 2 was mainly represented by balances due from related parties. The Group concluded that the receivables from related parties met the criterion for the recognition of lifetime ECLs based on the significant changes in the expected repayment of the balances from the origination of the receivables. The Group calculates the ECL based on weighted forecast scenarios to measure the expected cash flows shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows expected to be received.

If the Group determines that a financial asset is credit-impaired based on a qualitative and quantitative assessment, the asset transferred to Stage 3. A financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.7 Fair value of financial instruments

The Group measures financial instruments, such as financial assets held for trading, financial assets designated at fair value through profit or loss and derivative assets, at fair value at each reporting date. Fair values of financial instruments measured at amortized cost are disclosed in Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Valuation techniques consider time value and volatility factors of underlying financial instruments as well as other relevant economic factors. The Group uses industry accepted valuation models for determining the fair value of simple financial instruments such as options, forwards or interest rate and currency swaps. For these financial instruments, inputs into models are market-observable. For more complex instruments, the Group uses internally developed models, which are based on valuation methods and techniques used within the industry. Some of the inputs to these models may not be market-observable and are therefore estimated based on assumptions. When entering into a transaction where model inputs are unobservable, the financial instrument is initially recognized at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in income of this initial difference in fair value depends on the individual facts and circumstances of each transaction but is never later than when the market data becomes observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the Consolidated Statement of Financial Position.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorized within the fair value hierarchy discussed in Note 34.

## 2.8 Derecognition of financial assets and liabilities

### Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

## **2.9 Offsetting of financial instruments**

Financial assets and financial liabilities are only offset and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

## **2.10 Derivative financial instruments**

In the normal course of business, the Group enters into various derivative financial instruments. Such financial instruments are held for trading and are initially recognized and subsequently measured at their fair value. Fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Gains and losses resulting from these instruments are included in the Consolidated Statement of Comprehensive Income as a part of Net trading income.

In relation to derivative trading, the Group usually requires customers and is sometimes required by counterparties to place margin in the form of cash or securities to cover risks related to the instrument. If margin is received or paid in accordance with the terms of a particular contract it is considered to be a part of the contract's fair value and is included in derivative assets or liabilities at the end of the reporting period. If margin placed or received is not directly linked to a particular contract it is shown as a receivable or payable in the Consolidated Statement of Financial Position. In the Consolidated Statement of Financial Position collateral receivables/payables and corresponding derivative financial liabilities/assets are recorded net if the requirements of IAS 32 "Financial Instruments: Presentation" are met as described above.

## **2.11 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and amounts due from financial institutions which mature within three months of the date of origination and are free from contractual encumbrances.

## **2.12 Repurchase and reverse repurchase agreements**

The Group enters into transactions involving the purchase of securities with a simultaneous agreement to resell (reverse repurchase agreements) and transactions involving the sale of securities with a simultaneous agreement to repurchase (repurchase agreements) to provide and to obtain short-term financing and liquidity. In reverse repurchase agreements, the cash delivered is derecognized and a corresponding receivable, including accrued interest, is recorded in the Consolidated Statement of Financial Position, recognizing the Group's right to receive it back. In repurchase agreements, the cash received, including accrued interest is recognized in the Consolidated Statement of Financial Position with a corresponding obligation to return it. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income and interest expense over the life of each agreement using the effective interest method and included in interest income and expense, respectively.

Securities received under reverse repurchase agreements are not recognized in the Consolidated Statement of Financial Position. The securities delivered under repurchase agreements are not derecognized from the Consolidated Statement of Financial Position, unless the risks and rewards of ownership are relinquished. In repurchase agreements where the Group transfers owned securities and where the recipient is granted the right to resell or re-pledge them, the securities are reclassified in the Consolidated Statement of Financial Position to trading assets pledged as collateral. To deliver securities under repurchase agreements the Group additionally borrows securities from its clients' custody accounts. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading. The Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral or recalls or returns surplus collateral in accordance with the underlying agreements.

## **2.13 Securities borrowing and lending**

Securities borrowing and securities lending transactions are generally entered into on a collateralized basis, predominantly with securities or other assets delivered or received as collateral. Transfer of the securities themselves, whether in a borrowing or lending transaction or as collateral, are not reflected in the Consolidated Statement of Financial Position unless they meet the recognition or derecognition criteria in IFRS 9 and IAS 39. Where the Group transfers owned securities recognized in its Consolidated Statement of Financial Position, the transfer does not qualify for derecognition and where the lender is granted the right to sell or re-pledge them, the



securities are reclassified in the Consolidated Statement of Financial Position to trading assets pledged as collateral.

#### **2.14 Customer assets and funds**

The Group acts in its own name as trustee and also in a fiduciary capacity for the benefit of third parties. The assets held in such a capacity are not reported in the Consolidated Statement of Financial Position unless they are invested with the Group. The Group earns commission income from such transactions and assets. These activities potentially expose the Group to liability risks in cases of gross negligence or willful misconduct with regard to its fiduciary and contractual duties. The Group has policies and processes in place to control these risks.

#### **2.15 Property and equipment**

Property and equipment are stated at historical cost, net of accumulated depreciation and any accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment when that cost is incurred if the recognition criteria are met. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Computers and telecommunication equipment:	3 years
Fixtures, fittings, furniture and other equipment:	5 years
Leasehold improvements:	10 years or period of lease, if shorter

Costs related to repairs and renewals are charged when incurred and included in other operating expenses.

#### **2.16 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statement of Comprehensive Income.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. Then the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. It is amortized over the period of expected future benefit.

Intangible assets with finite useful lives include acquired software, licenses and development costs amortized on a straight line basis over their estimated useful lives (from one to seven years).

The Group does not have intangible assets with indefinite useful lives.

#### **2.17 Right-of-use assets and lease liabilities**

##### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

- The amount of lease liabilities recognized;
- Initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received;

- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments net of VAT (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

The Group analyzes all lease related contracts and separates them into lease and non-lease components. The latter are excluded from lease payments constituting lease liabilities and are recognized separately as operating expense.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease assets with valuation below 0.5% of entity's standalone total assets as of date of lease commencement. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term and are included in Other operating expenses in the Consolidated Statement of Comprehensive Income.

#### Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 2.18 Taxation

### a) Income taxes

Income taxes have been provided for in the Consolidated Financial Statements in accordance with the tax legislation enacted or substantively enacted by the reporting date in the jurisdictions in which the Group operates. The income tax charge comprises current and deferred taxes and is recognized in the Consolidated Statement of Comprehensive Income and in the Other Comprehensive Income. Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recognized to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

#### **b) Other taxes**

Taxes other than income taxes are recorded within other operating expenses in the Consolidated Statement of Comprehensive Income.

### **2.19 Provisions and contingencies**

Provisions are recognized when the Group has a current legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the Consolidated Statement of Financial Position but are disclosed unless the possibility of any losses in settlement is remote. Contingent assets are not recognized in the Consolidated Statement of Financial Position but disclosed when an inflow of economic benefits is probable.

### **2.20 Share capital**

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

### **2.21 Dividends**

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the Consolidated Financial Statements are authorized for issue.

### **2.22 Fee and commission income**

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The Group has both fee and commission income from services where performance obligations are satisfied over time and fee and commission income from providing services where performance obligations are satisfied at a point in time.

Performance obligations satisfied over time include custody and advisory services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. As the benefit to the customer of the services is transferred evenly over the service period, these fees are

recognised as revenue evenly over the period, based on time-elapsed. Payment of these fees is usually due and received monthly in arrears.

Services provided where the Group's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include brokerage and underwriting fees.

The Group typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract. Consideration for underwriting fees is invoiced and generally due immediately upon satisfaction of a service provided. Brokerage fees are charged directly to the customers account upon trades execution.

Fee and commission expense predominantly include brokerage, depositary and custody fees, stock exchange commissions, conversion fees, other market fees and expenses in relation to provision of brokerage, advisory and underwriting services. Fee and commission expense is recognized as incurred.

### **2.23 Interest income and expense**

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and interest expense are included in total operating income in the Consolidated Statement of Comprehensive Income.

### **2.24 Compensation policy. Long-term incentive plan**

The Group maintains long-term incentive plan ("LTIP") for its employees which is part of the Group's total compensation policy. The plan is designed to facilitate pay-for-performance and to retain key employees. The benefits accruing under the policy are based upon employee achievements and the financial performance of the Group.

Amounts payable under the policy at the reporting dates have been recognized to the extent that they related to the reporting periods and have been fully earned as of the reporting date. The Group may apply LTIP and then the amounts related to the deferral part (LTIP) are recognized in the Group's Consolidated Financial Statements as part of accrued salaries and performance related remuneration (Note 9 and 26).

The performance related part of the compensation is composed mainly from one element: direct cash payments and in case if management decides to apply LTIP then the compensation will include also second element called: deferred cash payments.

#### **a) Cash bonus**

Amounts awarded to employees in the form of cash bonus are recognized in the Consolidated Statement of Comprehensive Income in full in the period when employee has rendered services to the Group.

#### **b) Cash deferral**

Cash Deferral awards granted in any given year are amortized over a specified vesting period. Payment is subject to the employee's continuous employment and is subject to be paid in December of the next reporting year.

As there are no plan assets as of the reporting date, the liability recognized is equal to the present value of the defined benefit obligation at the reporting date, calculated under the Projected Unit Credit Method. In determining the present value of its defined benefit obligations, the Group attributes benefits to periods of service under the plan's benefit formula. The probability that some payments under the plan may not vest, i.e. that some employees may resign or leave in the future periods after the reporting date is reflected in the model via the staff turnover ratio. The Group adjusts this estimate annually based on actual data and changes in Management expectation regarding the staff turnover.

### **2.25 Foreign currency translation**

RFHL's functional currency is United States Dollars ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded in the functional currency at the rate ruling at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign

exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

When preparing the Consolidated Financial Statements, assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into USD at the rate of exchange ruling at the reporting date, while income and expense items are translated at average exchange rates for the year. Differences resulting from the use of closing and average exchange rates and from revaluing a foreign entity's opening net asset balance at the closing rate are recognized as a foreign currency translation in Other Comprehensive Income.

### **3 Significant accounting judgements and estimates**

In preparing the Consolidated Financial Statements, Management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences may be material to the Consolidated Financial Statements. In the process of applying the Group's accounting policies, Management has made the following judgements and estimates, which have the most significant effect on the amounts recognized in the Consolidated Financial Statements:

#### **3.1 Provision for expected credit losses of financial assets at amortized cost**

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgements, management estimates and assumptions.

The Group calculates the ECL of the receivables from related parties based on repayment forecast scenarios and assignment of probability to each of the outcome. The forecast scenarios and the probabilities are determined based on assessment of the expected borrower's liquidity position and repayment ability.

#### **3.2 Fair value of financial instruments**

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data; however, areas such as credit risk, volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments (Note 34).

#### **3.3 Taxes**

Tax, currency and customs legislation in jurisdictions in which the Group operates is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activities of the Group may therefore be challenged by the relevant authorities. The Group performs regular reviews of uncertain tax positions, reassessment of relevant risks and estimation of uncertain tax amounts. When in the opinion of the Group it is not probable that the Group's position will be accepted by tax authorities, the Group recognizes additional accrued liability in the Consolidated Financial Statements.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and/or the unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 29.

#### **3.4 Material uncertainties in relation to going concern**

A significant part of the Group's operating activity is dependent on the factors defining the operating environment in the Russian Federation. In February 2022, the operating environment in the Russian Federation was affected by escalated military and political conflict between Russia and Ukraine, the associated international sanctions imposed by the EU, the United States ("USA") and the United Kingdom ("UK") on certain Russian institutions, companies, banks and individuals and counter restrictions introduced by the Russian government in response. More details are presented in Note 37.

The current situation involves a significant number of material uncertainties in relation to the going concern of the Group:

- The Group as well as its trading counterparties and clients and operating environment are subject to further effects of the ongoing geopolitical crisis, volatility on core markets and other factors outside the control of the Group's Management. The potential occurrence and significance of impact of such factors represents material uncertainty.
- Further unwind of the Group's assets and liabilities depends on a number of factors outside of the Group's control, foremost the cooperation of Russian authorities, given a significant part of the Group's assets are securities in Russia, and the material uncertainties are around the valuation and the possibility to realize such assets.

#### **4 Going concern**

For the purpose of the preparation of the Consolidated Financial Statements Management has made an assessment of the Group's ability to continue as a going concern.

Starting from mid-February 2022, the Group's business model has been negatively impacted by disruptions in the Russian operating environment and volatility on the Russian financial market following the imposition of the sanctions against Russia by major Western economies and counter restrictions introduced by the Russian government (Notes 3,37). In response to the worsening operating environment the Group has undertaken a number of actions aiming at providing transparency about the situation to the regulators, clients and counterparties and at the same time addressing key challenges negatively affecting its business. Despite the stabilization of the Group's financial position starting from April 2022, the Management of the Group has made an assessment of the future prospects and concluded that given the global geopolitical sentiment the Group's historical business model is not sustainable in the longer term.

As such, the following restructuring measures have been agreed:

- Cyprus business restructuring: focus on agency trading with international counterparties; no directional proprietary trading or trading on margin involved; revision of the Cyprus broker's existing client base in accordance with the revised business model and infrastructure cost optimization.
- Sale of the Russian business subject to the approval from the Russia's authorities.
- Material restructuring of UK and US offices to continue as a niche player in frontier and emerging markets.
- Management buy-outs for the African subsidiaries of the Group.

Based on the information presented above the Group's Management concludes that there are sufficient arguments and available resources to support preparation of the Consolidated Financial Statements on a going concern basis and continue in business for the foreseeable future subject to positive realization of the material uncertainties. In particular:

- The timely implementation of recovery procedures has allowed the Group to avoid insolvency throughout the peak and any other time of the ongoing crisis.
- The Group has sufficient capital and liquidity to settle existing obligations to both its trading counterparties and clients.
- The Company received the financial support letter dd 26 April 2023 from OHL, confirming its ability to financially support the Group, if and when required.
- The Group retains access to critical personnel, experience and infrastructure to continue its operations.

Therefore, the Consolidated Financial Statements are prepared on the going concern basis.

#### **5 Changes in significant accounting policies and comparability**

##### **5.1 IFRS and Interpretations adopted in 2022**

During the current year, the Group adopted all new IFRS which were effective for accounting periods beginning on 1 January 2022.

##### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both

incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment had no impact on the Consolidated Financial Statements of the Group, as the Group did not have the onerous contracts for which it has not yet fulfilled all its obligations at the beginning of the year.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the Consolidated Financial Statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

#### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the Consolidated Financial Statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

#### **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's Consolidated Financial Statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments are not applicable to the Consolidated Financial Statements of the Group.

#### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. These amendments had no impact on the Consolidated Financial Statements of the Group as there were no modifications of the Group's financial instruments during the period.

#### **IAS 41 Agriculture – Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of biological assets within the scope of IAS 41. Thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13. These amendments had no impact on the Consolidated Financial Statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

### **5.2 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Consolidated Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 5.2.1 Standards and Interpretations endorsed by the EU

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

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The new standard is not expected to have any impact on the Group.

#### **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

#### **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

### 5.2.2 Standards and Interpretations not endorsed by the EU

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The IASB has proposed postponing the date of entry into force of the amendment until at least 1 January 2024. The amendments are not expected to have an impact on the Group.

#### **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases



and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments are not expected to have an impact on the Group.

## 6 Net fee and commission income

	For the year ended 31 December	
	2022	2021
<i>Fee and commission income</i>		
Advisory and underwriting fee and commission income	14,862	28,804
Brokerage, custody and other fee and commission income	32,577	40,037
<b>Total fee and commission income</b>	<b>47,439</b>	<b>68,841</b>
<i>Fee and commission expense</i>		
Advisory and underwriting fee and commission expense	1,582	1,142
Brokerage, custody and other fee and commission expense	18,033	34,280
<b>Total fee and commission expense</b>	<b>19,615</b>	<b>35,422</b>
<b>Total net fee and commission income</b>	<b>27,824</b>	<b>33,419</b>

## 7 Net interest income

	For the year ended 31 December	
	2022	2021
<i>Interest income calculated using EIR:</i>		
Interest income on loans and receivables from customers and counterparties	23,297	33,817
Interest income on securities purchased under agreements to resell	13,350	18,410
<b>Total interest income calculated using EIR</b>	<b>36,647</b>	<b>52,227</b>
<i>Other interest income:</i>		
Interest income on trading portfolio	23,194	18,844
<b>Total other interest income</b>	<b>23,194</b>	<b>18,844</b>
<b>Total interest income</b>	<b>59,841</b>	<b>71,071</b>
<i>Interest expense calculated using EIR:</i>		
Interest expense on securities sold under agreements to repurchase	55,741	35,222
Interest expense on loans and payables to customers and counterparties	1,425	2,285
Interest expense on debt issued	-	628
<b>Total interest expense calculated using EIR</b>	<b>57,166</b>	<b>38,135</b>
<i>Other interest expense:</i>		
Interest expense on lease liabilities	153	430
<b>Total other interest expense</b>	<b>153</b>	<b>430</b>
<b>Total interest expense</b>	<b>57,319</b>	<b>38,565</b>
<b>Net interest income</b>	<b>2,522</b>	<b>32,506</b>

## 8 Reversal of impairment loss

	For the year ended 31 December	
	2022	2021
Reversal of impairment loss on balances with related parties	58,218	7,182
Impairment loss on other financial assets	(10,843)	(20)
<b>Total reversal of impairment loss</b>	<b>47,375</b>	<b>7,162</b>

The movement of ECL is mainly due to the movement of the gross balances. An analysis of changes in the ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021 under IFRS 9	(487)	(65,400)	(1)	(65,888)
Interest accrued and other changes	(491)	(2,548)	(19)	(3,058)
Assets repaid	487	9,730	-	10,217
Foreign exchange adjustments	-	-	3	3
<b>ECL allowance as at 31 December 2021 under IFRS 9</b>	<b>(491)</b>	<b>(58,218)</b>	<b>(17)</b>	<b>(58,726)</b>
Interest accrued and other changes		(1,936)	(236)	(2,172)
Assets repaid	491	60,154	-	60,645
Foreign exchange adjustments	(745)	-	250	(495)
Impact on the year end ECL of exposures transferred between stages during the year	-	-	(10,603)	(10,603)
<b>ECL allowance as at 31 December 2022 under IFRS 9</b>	<b>(745)</b>	<b>-</b>	<b>(10,606)</b>	<b>(11,351)</b>

## 9 Personnel expenses

	For the year ended 31 December	
	2022	2021
Salaries and other short-term compensations	45,361	41,512
Insurance and social security contributions on short-term compensations	8,869	9,197
Other personnel expenses	296	693
<b>Total salary and other personnel expenses</b>	<b>54,526</b>	<b>51,402</b>
Performance related expenses	66,347	42,488
<b>Total personnel expenses</b>	<b>120,873</b>	<b>93,890</b>

The Group maintains a compensation policy for its employees designed to facilitate pay-for-performance and to retain key employees. The benefits accruing under the policy are based upon employees' achievements and the financial performance of the Group. Amounts payable under the compensation policy at the reporting dates have been recognized to the extent that they related to the reporting periods and have been fully earned as of the reporting date.

The Group's entities make required social contributions in accordance with local legislation on behalf of their employees. These contributions are expensed as incurred and the Group has no legal or constructive obligation to make any further payment in respect of such statutory social and pension contributions. The Group also provides employees with health insurance and other benefits included in other personnel expenses.

Performance related remuneration expense includes cash bonus, the relevant portions of cash deferral compensations and insurance and social security contributions, relating to cash bonus and cash deferral awards, recognized in the reporting periods.

## 10 Other operating expenses

	For the year ended 31 December	
	2022	2021
Information technology, communication services and maintenance	16,643	16,972
Corporate governance	4,486	4,300
Other occupancy expenses	2,736	1,492
Professional services	1,745	4,116
Non-recoverable VAT	1,558	4,139
Travel and entertainment	843	1,031
Other taxes and duties	521	535
Rent	280	112
Administration	153	190
Bank fees	146	120
Other expenses	44	-
Recruitment	-	516
Marketing and advertising services	-	69
<b>Total other operating expenses</b>	<b>29,155</b>	<b>33,592</b>

## 11 Cash and cash equivalents

	At 31 December	
	2022	2021
Cash in hand	7	12
Current accounts with Russian and other CIS banks and other financial institutions	228,936	142,607
Current accounts with OECD banks	106,315	177,725
Current accounts with other banks	31,822	22,225
Short-term deposits with banks	4,459	4,452
<b>Gross carrying amount of cash and cash equivalents</b>	<b>371,539</b>	<b>347,021</b>
Credit loss allowance	(480)	(280)
<b>Total of cash and cash equivalents</b>	<b>371,059</b>	<b>346,741</b>

## 12 Financial assets at fair value held for trading and Trading assets pledged as collateral

	At 31 December	
	2022	2021
Fixed income instruments	344,676	531,482
Equity instruments	221,487	470,636
<b>Total trading assets</b>	<b>566,163</b>	<b>1,002,118</b>

### DISCLOSED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS FOLLOWS:

<i>Financial assets at fair value held for trading</i>		
Fixed income instruments at fair value held for trading	271,666	107,973
Equity instruments at fair value held for trading	218,231	227,188
<b>Total financial assets at fair value held for trading</b>	<b>489,897</b>	<b>335,161</b>
<i>Trading assets pledged as collateral</i>		
Fixed income instruments pledged as collateral	73,010	423,509
Equity instruments pledged as collateral	3,256	243,448
<b>Total trading assets pledged as collateral</b>	<b>76,266</b>	<b>666,957</b>
<b>Total trading assets</b>	<b>566,163</b>	<b>1,002,118</b>

At 31 December 2022, there was one trading position in the instruments of one issuer that was greater or equal to 10% of total trading assets which, in aggregate, accounted for 10% of total financial assets at fair value held for trading (at 31 December 2021 there were no trading positions in the instruments of one issuer that was greater or equal to 10% of total trading assets).

At 31 December 2022, the Group derecognized certain trading assets in the amount of US\$2,894 (31 December 2021 – US\$3,765) against related financial liabilities under equity and bond linked notes (Note 25).

### 13 Derivative financial assets

	At 31 December	
	2022	2021
<i>Fair value of derivative financial assets</i>		
Currency swaps	3,707	25,456
Options on foreign currency	1,334	7,417
Currency forwards/futures	476	6,880
Interest rate swaps	448	28,396
Options on equities	42	95,894
Commodity forwards/futures	2	6,460
Options on commodities	-	40,178
Cross currency swaps	-	7,002
Equity forwards/futures	-	1,858
Debt forwards/futures	-	698
Total return swaps - equities	-	18
<b>Total fair value of derivative financial assets</b>	<b>6,009</b>	<b>220,257</b>

	At 31 December	
	2022	2021
<i>Contract/notional amounts</i>		
Currency swaps	218,086	1,167,601
Options on foreign currency	23,786	690,288
Currency forwards/futures	2,129	543,767
Interest rate swaps	10,761	1,985,905
Options on equities	401	1,355,594
Options on commodities	1,094	960,857
Cross currency swaps	-	206,563
Commodity forwards/futures	-	126,968
Equity forwards/futures	-	86,943
Debt forwards/futures	-	90,483
Total return swaps - equities	-	8,268
<b>Total contract/notional amounts</b>	<b>256,257</b>	<b>7,223,237</b>

The Group entered in exchange-traded futures and option transactions where instruments are collateralized by variation margin paid by / received by central counterparties on a daily basis. These instruments are recognized net of variation margin received or provided and amounted to nil as of the reporting date. The table below summarizes notional amounts relating to these contracts including instruments in both assets and liabilities' positions as at the reporting date before set-off against variation margin.

	At 31 December	
	2022	2021
<i>Contract/notional amounts of stock exchange traded futures and futures-style options</i>		
Equity futures, futures-style options	3,643	613,868
Currency futures, futures-style options	14,544	256,570
Commodity futures, futures style options	2,748	155,558
<b>Total value of notional amounts</b>	<b>20,935</b>	<b>1,025,996</b>

### 14 Securities purchased under agreements to resell

	2022	2021
Gross carrying amount of securities purchased under agreements to resell	63,799	947,675
Credit loss allowance	-	-
<b>Total securities purchased under agreements to resell</b>	<b>63,799</b>	<b>947,675</b>
<b>Fair value of collateral received</b>	<b>69,369</b>	<b>1,136,323</b>

Securities purchases under agreements to resell are collateralized by the counterparties' assets, such as eurobonds, government bonds, corporate equity and debt securities. The positions are carried at the contract amounts reflecting the amounts at which these securities were initially acquired, adjusted for margin calls and accrued interest. The Group controls credit risk associated with these activities by monitoring counterparty credit

risk exposure and collateral values and requires additional collateral to be deposited with the Group or requires counterparty to pay margin calls when necessary.

At 31 December 2022, the Group's reverse repurchase agreements had contractual interest rates of up to up to 10.5% per annum for RUB-denominated contracts. At 31 December 2021, the Group's reverse repurchase agreements had contractual interest rates of up to 2.6% per annum for USD-denominated contracts, up to 13% per annum for RUB-denominated contracts, up to 1.05% for EUR-denominated contracts and up to 1.15% for GBP-denominated contracts.

At 31 December 2022, the maximum concentration of funds lent to one counterparty represents 100% of total funds lent under reverse repurchase agreements (31 December 2021 – 57%).

## 15 Receivables

	At 31 December	
	2022	2021
Customers	2,777	637,484
Brokers and dealers	206,641	379,624
Fees and commissions	811	3,401
<b>Gross carrying amount of receivables</b>	<b>210,229</b>	<b>1,020,509</b>
Credit loss allowance	(10,871)	(228)
<b>Total receivables</b>	<b>199,358</b>	<b>1,020,281</b>

Receivables from customers represent balances due as a result of unsettled transactions or funds advanced by the Group for customers' transactions (margin lending). Such receivables are collateralized by customers' assets kept on their customer accounts with the Group.

## 16 Loans receivable

	At 31 December	
	2022	2021
Loans to shareholder	-	485,150
Other loans receivable	-	47
<b>Gross carrying amount of loans receivable</b>	<b>-</b>	<b>485,197</b>
Credit loss allowance	-	(58,218)
<b>Total loans receivable</b>	<b>-</b>	<b>426,979</b>

At 31 December 2021, loans receivable from OHL were unsecured and earn interest at 4% per annum. In 2022, loans receivable from OHL were repaid in the total amount of US\$64,738, including interest accrued, and the loans in the amount of US\$436,545, including interest accrued, were set-off with the dividends distribution to the shareholder (Note 28).

## 17 Intangible assets

	For the year ended 31 December 2022			
	Software	Licences	Development costs	Total
<b>Cost</b>				
Balance at 1 January 2022	19,296	7,432	85	26,813
Additions	-	183	-	183
Disposals / write-offs	(30)	(755)	-	(785)
Reclassification	85	-	(85)	-
<b>Balance at 31 December 2022</b>	<b>19,351</b>	<b>6,860</b>	<b>-</b>	<b>26,211</b>
<b>Accumulated amortization</b>				
Balance at 1 January 2022	16,275	6,113	-	22,388
Change for the year	624	596	-	1,220
Disposals / write-offs	(30)	(747)	-	(777)
<b>Balance at 31 December 2022</b>	<b>16,869</b>	<b>5,962</b>	<b>-</b>	<b>22,831</b>
<b>Net book value at 31 December 2022</b>	<b>2,482</b>	<b>898</b>	<b>-</b>	<b>3,380</b>

	For the year ended 31 December 2021			
	Software	Licences	Development costs	Total
<b>Cost</b>				
Balance at 1 January 2021	19,033	7,167	577	26,777
Additions	10	199	39	248
Disposals / w rite-offs	-	(136)	(76)	(212)
Reclassification	253	202	(455)	-
<b>Balance at 31 December 2021</b>	<b>19,296</b>	<b>7,432</b>	<b>85</b>	<b>26,813</b>
<b>Accumulated amortization</b>				
Balance at 1 January 2021	15,613	5,653	-	21,266
Change for the year	662	596	-	1,258
Disposals / w rite-offs	-	(136)	-	(136)
<b>Balance at 31 December 2021</b>	<b>16,275</b>	<b>6,113</b>	<b>-</b>	<b>22,388</b>
<b>Net book value at 31 December 2021</b>	<b>3,021</b>	<b>1,319</b>	<b>85</b>	<b>4,425</b>

## 18 Property and equipment

	For the year ended 31 December 2022			
	Leasehold improvements	Fixtures, fittings, furniture and other equipment	Computers and telecommunication equipment	Total
<b>Cost</b>				
Balance at 1 January 2022	14,538	6,712	8,211	29,461
Additions	3	50	153	206
Disposals / w rite-offs	(10,083)	(3,658)	(2,415)	(16,156)
<b>Balance at 31 December 2022</b>	<b>4,458</b>	<b>3,104</b>	<b>5,949</b>	<b>13,511</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2022	12,352	6,565	7,535	26,452
Change for the year	402	93	401	896
Disposals / w rite-offs	(10,016)	(3,606)	(2,367)	(15,989)
<b>Balance at 31 December 2022</b>	<b>2,738</b>	<b>3,052</b>	<b>5,569</b>	<b>11,359</b>
<b>Net book value at 31 December 2022</b>	<b>1,720</b>	<b>52</b>	<b>380</b>	<b>2,152</b>

	For the year ended 31 December 2021			
	Leasehold improvements	Fixtures, fittings, furniture and other equipment	Computers and telecommunication equipment	Total
<b>Cost</b>				
Balance at 1 January 2021	14,530	6,799	8,029	29,358
Additions	23	1	329	353
Disposals / w rite-offs	(15)	(88)	(147)	(250)
<b>Balance at 31 December 2021</b>	<b>14,538</b>	<b>6,712</b>	<b>8,211</b>	<b>29,461</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2021	11,741	6,557	6,997	25,295
Change for the year	626	96	685	1,407
Disposals / w rite-offs	(15)	(88)	(147)	(250)
<b>Balance at 31 December 2021</b>	<b>12,352</b>	<b>6,565</b>	<b>7,535</b>	<b>26,452</b>
<b>Net book value at 31 December 2021</b>	<b>2,186</b>	<b>147</b>	<b>676</b>	<b>3,009</b>

## 19 Right-of-use assets and Lease liabilities

The table below shows the carrying amounts of right-of-use assets and the movements during the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December	
	2022	2021
Balance at 1 January	15,723	12,302
Additions	914	7,784
Disposals / write-offs	(3,376)	(4)
Depreciation expense	(3,933)	(4,359)
Balance at 31 December	9,328	15,723

The table below shows the carrying amounts of lease liabilities and the movements during the years ended 31 December 2022 and 31 December 2021:

	For the year ended 31 December	
	2022	2021
Balance at 1 January	16,134	13,014
Additions	914	7,784
Disposals / write-offs	(3,260)	-
Accrual of interest	153	430
Payment of lease liabilities	(3,874)	(5,041)
Foreign exchange losses	(584)	(53)
Balance at 31 December	9,483	16,134

Weighted average discount rate of the lease liabilities at 31 December 2022 comprised 2.79% (31 December 2021 – 2.88%).

## 20 Other assets

	At 31 December	
	2022	2021
Prepayments	4,130	5,256
Advances to employees	270	26
Other assets	4,430	6,019
Total other assets	8,830	11,301

## 21 Financial liabilities at fair value held for trading

	At 31 December	
	2022	2021
Equity instruments	14,912	184,775
Fixed income instruments	557	10,652
Total financial liabilities at fair value held for trading	15,469	195,427

At 31 December 2022, there were three trading positions (31 December 2021 – two positions) in the instruments of any one issuer that exceeded 10% of total financial liabilities at fair value held for trading which, in aggregate, accounted for 71% (31 December 2021 – 75%) of total financial liabilities at fair value held for trading.

## 22 Derivative financial liabilities

	At 31 December	
	2022	2021
<b>Fair value of derivative financial liabilities</b>		
Options on equities	540	72,701
Currency swaps	408	7,266
Interest rate swaps	305	32,326
Commodity forwards/futures	86	2,063
Equity forwards/futures	1	2,073
Options on foreign currency	-	11,435
Currency forwards/futures	-	18,876
Cross currency swaps	-	3,648
Options on commodities	-	1,478
Debt forwards/futures	-	634
Total return swaps - equity	-	628
<b>Total fair value of derivative financial liabilities</b>	<b>1,340</b>	<b>153,128</b>

	At 31 December	
	2022	2021
<b>Contract/notional amounts</b>		
Options on equities	3,327	1,085,501
Currency swaps	154,344	707,991
Interest rate swaps	7,174	2,130,907
Commodity forwards/futures	2,329	56,025
Equity forwards/futures	66	113,159
Options on foreign currency	-	775,233
Currency forwards/futures	-	950,116
Cross currency swaps	-	139,029
Options on commodities	-	123,636
Debt forwards/futures	-	164,245
Total return swaps - equity	-	11,965
<b>Total contract/notional amounts</b>	<b>167,240</b>	<b>6,257,807</b>

## 23 Securities sold under agreements to repurchase

	At 31 December	
	2022	2021
Securities sold under agreements to repurchase - collateralised by Group's proprietary assets	66,695	550,085
Securities sold under agreements to repurchase - collateralised by customers' securities held by the Group and securities received under reverse repurchase agreements	115,799	1,596,716
<b>Total securities sold under agreements to repurchase</b>	<b>182,494</b>	<b>2,146,801</b>
<b>Fair value of collateral given</b>		
Fair value of collateral given - proprietary trading assets pledged as collateral	76,266	666,957
Fair value of collateral given - customers' securities held by the Group and securities received under reverse repurchase agreements	132,415	1,935,959
<b>Fair value of collateral given</b>	<b>208,681</b>	<b>2,602,916</b>

Securities sold under agreements to repurchase are collateralized by the Group's proprietary assets, customers' securities held by the Group and securities received under reverse repurchase agreements. The positions are carried at the contract amounts reflecting the value at which the securities were initially acquired or sold, adjusted for margin calls and accrued interest. The Group controls the risks associated with these activities by regularly monitoring counterparty credit risk exposure and collateral values.

At 31 December 2022, the Group's agreements had contractual interest rates of up to 4.5% per annum for USD-denominated contracts, up to 7.45% per annum for RUB-denominated contracts, up to 3.51% for CNY-denominated contracts. At 31 December 2021, the Group's agreements had contractual interest rates of up to 2.5% per annum for USD-denominated contracts, up to 9.1% per annum for RUB-denominated contracts, up to 0.5% per annum for EUR-denominated contracts and up to 0.58% per annum for GBP-denominated contracts.



At 31 December 2022, the maximum concentration of funds borrowed from one counterparty represents 47% (31 December 2021 – 36%) of total funds borrowed under agreements to repurchase.

## 24 Payables

	At 31 December	
	2022	2021
Customers	439,774	442,757
Brokers and dealers	172,965	355,439
<b>Total payables</b>	<b>612,739</b>	<b>798,196</b>

Payables to customers represent balances due to customers as a result of unsettled transactions or funds held on customers' brokerage accounts with the Group.

## 25 Financial liabilities designated at fair value through profit or loss

	At 31 December	
	2022	2021
Notes linked to Nigerian government treasury bills	11,268	111,418
Certificates issued on equity instruments	-	1,171
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>11,268</b>	<b>112,589</b>

Since 2016, RFHL has been issuing equity and bonds linked notes (where the repayment under the note is linked to the performance of the relevant underlying security and respective foreign exchange ("FX") hedges if such are entered into for the specific issuance) and certificates linked to equity which operate similar to call options (the pay-off depends on whether or not the price of the underlying security exceeds the strike price set in the terms of the note). When the derecognition criteria of IFRS 9 are met, the Group derecognizes financial liabilities under the notes against the underlying financial assets (Note 12). Notes that do not meet derecognition criteria are classified as financial liabilities designated at fair value through profit or loss.

## 26 Accrued expenses

	At 31 December	
	2022	2021
Accrued salaries and performance related remuneration	29,880	32,767
Other accrued expenses	12,166	26,953
<b>Total accrued expenses</b>	<b>42,046</b>	<b>59,720</b>

## 27 Other liabilities

At 31 December 2022 and 31 December 2021, other liabilities include the amount of US\$51,344 representing the principal amount of loans originally granted to the Group in the form of short-term facilities. Subsequently, despite the Group's willingness to repay these loans, the repayment is pending a joint instruction from the lender's parent entity and the branch through which the loans had been granted, which as of the day of these Consolidated Financial Statements has not been received.

## 28 Equity

The table below shows compositions of share capital of the Company:

	At 31 December	
	2022	2021
23,999 ordinary shares of one US Dollar each, fully paid	24	24
<b>Total share capital</b>	<b>24</b>	<b>24</b>

In 2022, RFHL distributed dividends to the shareholder in the amount of US\$436,545, which were fully set-off with the loans receivable from the shareholder (Note 16).

In 2021, RFHL distributed and paid dividends to the shareholder in the amount of US\$26,000.

## 29 Income taxes

### 29.1 Income tax expense

	For the year ended 31 December	
	2022	2021
Current tax expense	2,893	7,477
Deferred tax (benefit) expense	8,529	(1,166)
<b>Income tax expense for the year</b>	<b>11,422</b>	<b>6,311</b>

The reconciliation between the expected and actual taxation charge is detailed below:

	For the year ended 31 December	
	2022	2021
<b>Profit before tax</b>	<b>278,970</b>	<b>25,214</b>
Theoretical tax charge at statutory rates	105,869	9,793
Income which is exempt from taxation, including dividends and capital gains	(102,417)	(6,148)
Withholding tax on dividends and tax penalties	1,374	4,690
Foreign exchange loss (income)	2,800	(641)
Change in unrecognised deferred tax asset	1,491	(2,234)
Losses carried forward write-off	2,618	-
Other non-temporary differences	(313)	851
<b>Income tax expense for the year</b>	<b>11,422</b>	<b>6,311</b>

### 29.2 Deferred tax

Differences between IFRS and the local statutory taxation regulations in force in each of the jurisdictions in which the Group operates give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the applicable tax rate.

	At 31 December 2020	Charge (credit) for the year ended 31 December 2021	At 31 December 2021	Charge (credit) for the year ended 31 December 2022	At 31 December 2022
<b>Tax effect of timing differences - asset</b>					
Losses carried forward	411	186	597	(188)	409
Compensation and benefits	1,322	(476)	846	(388)	458
Difference in securities positions	-	1,265	1,265	(1,265)	-
Other	535	136	671	(374)	297
<b>Recognized deferred tax asset</b>	<b>2,268</b>	<b>1,111</b>	<b>3,379</b>	<b>(2,215)</b>	<b>1,164</b>
Deferred tax asset offset with deferred tax liability	(758)	55	(703)	-	(703)
<b>Total deferred tax asset</b>	<b>1,510</b>	<b>1,166</b>	<b>2,676</b>	<b>(2,215)</b>	<b>461</b>
<b>Tax effect of timing differences - liability</b>					
Difference in securities positions	153	-	153	6,500	6,653
Deferred expenses	-	15	15	-	15
Lease liability	211	(70)	141	(105)	36
Other	394	-	394	(81)	313
<b>Deferred tax liability</b>	<b>758</b>	<b>(55)</b>	<b>703</b>	<b>6,314</b>	<b>7,017</b>
Deferred tax asset offset with deferred tax liability	(758)	55	(703)	-	(703)
<b>Total deferred tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,314</b>	<b>6,314</b>
<b>Net deferred tax asset</b>	<b>1,510</b>	<b>1,166</b>	<b>2,676</b>	<b>(8,529)</b>	<b>(5,853)</b>

At 31 December 2022, unrecognized deferred tax assets in the Consolidated Statement of Financial Position related to unused tax losses amounted to US\$8,328 (31 December 2021 – US\$3,480).

The deferred tax losses carried forward in respect of the year ended 31 December 2022 are currently expected to be recovered during the loss carry forward period allowed in each respective jurisdiction where the loss has been generated.

### **29.3 Tax legislation**

A significant part of the Group's business activity is connected with the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and could be applied retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent tax practice within the Russian Federation suggests that the tax authorities may be taking a more assertive position in their interpretation and application of the legislation and assessments. It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities.

The Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices determined for tax purposes. The list of "controlled" transactions includes transactions with related parties (subject to certain conditions) and certain types of cross-border transactions. Special transfer pricing rules apply to transactions with securities and derivatives qualifying as "controlled" transactions.

Due to the uncertainty and absence of the stable practice of the application of the Russian transfer pricing legislation, the Russian tax authorities may challenge the level of prices applied by the Russian companies of the Group for tax purposes in the "controlled" transactions and accrue additional tax liabilities unless the Russian companies of the Group are able to demonstrate that the respective transactions are at arms' length for tax purposes.

Further, the Group operates in various jurisdictions and includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the basis that non-Russian companies are tax residents in the countries of their incorporation and are not subject to taxation by corporate income tax in any other countries (except for cases of receipt of income from sources in other countries). Russian tax legislation applies tax residency concept for legal entities that is based on both incorporation and place of management and control criteria. As of now there is limited guidance as well as limited practice of their application. Therefore, it is possible that with further evolution of the interpretation and application of the respective rules by the Russian tax authorities, non-taxable status of some or all of the foreign companies of the Group in Russia may be subject to higher scrutiny.

Russian tax legislation contains a beneficial ownership requirement as a pre-requisite for any double tax treaty benefits. This increases the burden of the administrative procedures imposed on the taxpayers in respect of certain types of cross-border operations. Non-compliance with these rules may result in the Russian tax authorities attempting to collect the underwithheld taxes, fines and penalties from the Russian taxpayers acting as tax agents. In addition to this, the Russian tax authorities in practice tend to apply this concept to a wider list of payments to the foreign income recipients than had initially been expected by the taxpayers. Taking into account that there is no detailed guidance on the application of the beneficial ownership concept and there is a limited number of clarifications of the state authorities in this respect, no assurance can currently be given that the approaches applied by the Group would be accepted by the Russian tax authorities and that the Russian tax authorities would not try to challenge the approach of the Russian companies of the Group to taxation of income payable to foreign persons.

The Group also operates across Africa, Europe and the United States. Taxation of the Group's companies located in these jurisdictions is determined based on the tax rates existing in these countries, and in accordance with local taxation laws. Whilst recognizing that the relevant local tax authorities may challenge certain tax positions taken by the respective companies of the Group, Management is satisfied that sufficient due care and attention has been taken to ensure that the Group complies with all of its worldwide tax obligations, both in respect of local tax legislation and international best practice (e.g. OECD international principles). Also, the majority of the jurisdictions in which the Group operates adopted transfer pricing legislation.

At 31 December 2022, Management of the Group believes that its interpretation of the applicable legislation is reasonable and will be sustained in all substantial matters.

## **30 South Africa restructuring costs**

In June 2021, the Group announced its plan to exit the cash equities business in South Africa comprising equity sales, trading and equity research shifting the focus on investment banking business activity. The restructuring process commenced in June 2021. In February 2022, the Johannesburg Stock Exchange license was terminated.

In May 2022, the South African restructuring plan has been reviewed. In August 2022, South African business ceased its operation and is currently in the process of the South African companies deregistration.

For the year ended 31 December 2021, the South Africa restructuring costs relate principally to the termination benefits and provision for decommissioning of the contracts with software providers.

## 31 Financial risk management

### 31.1 Risk strategy

The risk strategy of Renaissance Capital is to ensure moderate risk profile through establishment of an effective risk management framework. It comprises a double view on risk profile of the Group: global risk monitoring and controlling in combination with a legal entity-oriented view. Risks are identified, measured, monitored and controlled at the Group's level as well as at the level of separate regulated legal entities on a daily basis.

### 31.2 Risk identification

The Group is exposed to the following three main risk types related to financial instruments:

- Credit risk is a risk that business partners of RFHL or consolidated legal entities will be unable to pay the contractual interest or principal on their obligations. It comprises mainly counterparty risk, issuer risk, securities financing risk and lending risk;
- Market risk is a risk that the value of a financial instrument will change due to movements in market factors. It comprises equity risk, interest rate risk, foreign exchange risk and commodity risk;
- Liquidity risk comprises two elements: asset liquidity risk and funding risk. Asset liquidity risk is the risk that an asset cannot be sold due to lack of liquidity in the market. Funding risk is the risk that sufficient liquid assets may not be available to meet the liabilities when they fall due.

These risk types arise from the following financial instruments:

- Equities;
- Fixed income instruments;
- Different forms of financing transactions (repurchase transactions, margin lending, loans and other forms of financing);
- Derivative instruments (with equities, indices, fixed income, currencies and commodities as underlying).

The tables below represent the breakdown of the financial instruments of Renaissance Capital by classes:

	At 31 December 2022						
	Financial instruments at fair value			Financial instruments at amortised cost			Other financial instruments
	Total	Trading portfolio	Other financial instruments	Balances with customers	Balances with counterparties	REPO and other financing	
<b>Assets</b>							
Cash, cash equivalents and placements with banks	371,059	-	-	-	-	-	371,059
Trading assets	568,163	568,163	-	-	-	-	-
Derivative financial assets	6,009	6,009	-	-	-	-	-
Securities purchased under agreements to resell	63,799	-	-	-	-	63,799	-
Receivables:							
- Brokers and dealers	195,857	-	-	-	195,857	-	-
- Customers	2,715	-	-	2,715	-	-	-
- Fees and commissions	786	-	-	-	786	-	-
<b>Total financial assets</b>	<b>1,208,388</b>	<b>572,172</b>	<b>-</b>	<b>2,715</b>	<b>196,643</b>	<b>63,799</b>	<b>371,059</b>
<b>Liabilities</b>							
Trading liabilities	15,469	15,469	-	-	-	-	-
Derivative financial liabilities	1,340	1,340	-	-	-	-	-
Securities sold under agreements to repurchase	182,494	-	-	-	-	182,494	-
Payables:							
- Brokers and dealers	172,965	-	-	-	172,965	-	-
- Customers	439,774	-	-	439,774	-	-	-
Financial liabilities designated at fair value	11,268	-	11,268	-	-	-	-
<b>Total financial liabilities</b>	<b>823,310</b>	<b>16,809</b>	<b>11,268</b>	<b>439,774</b>	<b>172,965</b>	<b>182,494</b>	<b>-</b>

At 31 December 2021							
	Financial instruments at fair value			Financial instruments at amortised cost			
	Total	Trading portfolio	Other financial instruments	Balances with customers	Balances with counterparties	REPO and other financing	Other financial instruments
<b>Assets</b>							
Cash, cash equivalents and placements with banks	348,741	-	-	-	-	-	348,741
Trading assets	1,002,118	1,002,118	-	-	-	-	-
Derivative financial assets	220,257	220,257	-	-	-	-	-
Securities purchased under agreements to resell	947,875	-	-	-	-	947,875	-
Receivables:							
- Brokers and dealers	379,493	-	-	-	379,493	-	-
- Customers	637,409	-	-	637,409	-	-	-
- Fees and commissions	3,379	-	-	-	3,379	-	-
Loans receivable	428,979	-	-	-	428,979	-	-
<b>Total financial assets</b>	<b>3,984,051</b>	<b>1,222,375</b>	<b>-</b>	<b>637,409</b>	<b>809,851</b>	<b>947,875</b>	<b>348,741</b>
<b>Liabilities</b>							
Trading liabilities	195,427	195,427	-	-	-	-	-
Derivative financial liabilities	153,128	153,128	-	-	-	-	-
Securities sold under agreements to repurchase	2,148,801	-	-	-	-	2,148,801	-
Payables:							
- Brokers and dealers	355,439	-	-	-	355,439	-	-
- Customers	442,757	-	-	442,757	-	-	-
Financial liabilities designated at fair value	112,589	-	112,589	-	-	-	-
<b>Total financial liabilities</b>	<b>3,406,141</b>	<b>348,555</b>	<b>112,589</b>	<b>442,757</b>	<b>355,439</b>	<b>2,148,801</b>	<b>-</b>

The other key risks the Group is facing are the commercial and infrastructural risks working on emerging markets and operational risks of complex global operating structures.

In 2022, Renaissance Capital decreased the volume of open positions and risks compared to the previous year within the answer to the global markets restructuring and sanctions risks against Russia.

### 31.3 Risk organization and governance

Risk organization and governance comprises of three main elements:

- Organizational structure for effective risk management;
- Risk standards (policies, procedures, methodologies);
- Risk reporting.

Organizational structure refers to three main levels of risk management: business level, portfolio level and strategic level. The Board of Directors of RFHL (the "Board") is responsible for the strategic risk view and for the risk appetite and profile of the Group. The Renaissance Capital Risk Committee performs risk monitoring at the portfolio level defining the operating approach and working with the risk mitigation plans. Legal entities monitor and manage the risks on business level within the day-to-day activity.

The Board sets risk management standards and in this role is supported by the Renaissance Capital Risk Committee. The responsibilities of the Renaissance Capital Risk Committee include reviewing and recommending to the Board standards for risk management, risk control principles, best practice standards and overall risk measures. The Renaissance Capital Risk Committee is responsible for assessing the overall risk level and risk profile of the Group, approving certain credit and market limits, risk mitigation plans and setting other risk parameters and ownership over the risk monitoring function in due course. This Committee includes both Co-Chief Executive Officers of Renaissance Capital, President of Renaissance Capital, CEOs of main trading entities, Head of Risk Management, Head of Legal and Chief Financial Officer. In 2022 the key role of the Renaissance Capital Risk Committee was the supervision of the risk mitigation plan in action to sanction risks against the key market and global slowdown of the emerging markets. This year more authority was given to the local risk committees set on the level of particular trading entities to ensure the key decisions are taken quickly and in response to the local regulatory actions.

### 31.4 Credit risk

#### a) Identification

Credit risk represents the loss that Renaissance Capital would incur if counterparties or issuers of securities or other instruments that the Group holds fail to discharge their contractual obligations to Renaissance Capital, or upon deterioration in the credit quality of third parties whose securities or other interests Renaissance Capital holds. The following are types of credit risk associated with the Group's business:

**Counterparty risk.** Renaissance Capital's cash trading activities involve execution and settlement of various securities and financial instrument transactions. The execution of these transactions includes the purchase and sale of securities and other trading activities. These activities may expose the Group to credit risk if the counterparty of the transaction is unable to fulfill its contractual obligations and in case of the material market moves the margin requirements will not be sufficient to cover potential losses. Renaissance Capital's exposure to non-performance

of counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile securities markets, credit events, and regulatory changes. In these situations, the Group may be required to purchase or sell financial instruments at prevailing market prices that may not fully cover the obligations of Renaissance Capital's customers or counterparties. Counterparty risk is viewed by the Group as a combination of "pre-settlement" (mark-to-market change) and "settlement" risk, and limits are assigned taking into consideration both types of risk. Renaissance Capital's exposure to pre-settlement risk associated with counterparty non-performance is limited to the net replacement cost of the contracts in a gain position which are recognized in the Consolidated Financial Statements, while settlement credit risk occurs when the Group is expecting an asset delivery from the counterparty on a free delivery basis other than delivery-versus-payment.

**Issuer risk.** Issuer risk represents losses, that Renaissance Capital would incur on the Group's securities portfolio, upon deterioration of the credit quality of an issuer whose securities Renaissance Capital holds, arising from credit-related and other events and, potentially, default and insolvency of the issuer or obligor. Issuer risk is monitored by the Group by the imposition of risk concentration limits for individual issuer.

**Security financing risk.** Securities financing comprises securities lending and borrowing, securities margin lending, repurchase agreements. These activities expose Renaissance Capital to the counterparty risk having the specifics of their reliance on collateral as a risk mitigation tool. Only cash and securities that meet the Group's eligibility criteria in terms of liquidity, credit quality and collateral concentration limits are accepted as collateral. Conservative haircuts are applied to eligible securities, which consist of a VaR-component, a safety cushion to cover tail risk and a margin call trigger. Renaissance follows the regular margining approach for the open financing transactions. Collateral adequacy is monitored in real time by a dedicated team of risk managers responsible for the timely issuance of margin calls and liquidation of collateral in case of any delay in receipt of additional collateral following a margin call or further adverse market move.

**Lending risk.** Lending risk represents losses Renaissance Capital would incur in respect of loans made by the Group to third parties, upon non-performance and, potentially, insolvency of the borrower or obligor. Providing uncollateralized loans to external borrowers is not a significant part of the Group's business, but Renaissance Capital may occasionally advance loans in connection with its investment banking activity, on a case-by-case basis. Taking into account the uncollateralized loans to third parties are exceptional each loan over certain threshold is subject to approval by the Risk Committee based on a description of the structure of the loan, risk-return analysis and exit strategy as well as an analysis of the quality of the borrower and any possible collateral. Renaissance Capital's exposure to credit risk associated with borrower non-performance is the full amount of the debt and the risk appetite to this type of business is low.

**Concentration risk.** Concentration risk is a risk arising from an uneven distribution of counterparties / issuers / debtors in business relationships or from a concentration in business sectors or geographical regions which can generate losses large enough to jeopardize the Group's solvency. The following aspects of concentration risk are most important for the Group within its business strategy working on emerging and frontier markets: single-name concentration, concentration on emerging markets and concentration on certain industries (e.g. financial services).

## b) Exposure

The table below shows the gross exposure to credit risk for the components of the Consolidated Statement of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral, Delivery-versus-Payment ("DVP") settlement or close-out netting applicability for the derivatives FX exposure.

	At 31 December	
	2022	2021
Cash and placements with banks	371,052	346,729
Trading fixed income instruments	344,676	531,482
Derivative financial assets	6,009	220,257
Balances with customers	2,715	637,409
Balances with counterparties	196,643	809,851
Securities purchased under agreements to resell	63,799	947,675
Other securities pledged as collateral	135,671	2,179,407
<i>including proprietary equity instruments pledged as collateral</i>	3,256	243,448
<i>including customers' securities held by the Group and securities received under reverse repurchase agreements</i>	132,415	1,935,959
<b>Total credit risk exposure</b>	<b>1,120,565</b>	<b>5,672,810</b>

The amounts of gross maximum credit risk exposure represent carrying values of financial assets as of the respective reporting date excluding cash on hand and equity instruments and including risk arising from off balance sheet items. Renaissance Capital materially decreased the open credit exposures in 2022 in answer to the

decreased credit risk appetite of the Group's Management. The key leverage risky areas (margin trading for customers, REPO and securities financing, financial derivatives trading) were either materially lowered or temporarily frozen as approved products for 2022 financial year starting from March 2022.

	Gross maximum exposure	At 31 December 2022	
		Value of collateral held / Offsetting positions	Net exposure
Cash and placements with banks	371,052	-	344,472
Trading fixed income instruments	344,676	-	419,975
Derivative financial assets	6,009	2,998	3,638
Balances with customers	2,715	106,098	1,787
Balances with counterparties	196,643	164,472	32,172
Securities purchased under agreements to resell and other securities pledged as collateral	199,470	251,863	26,241
<b>Total</b>	<b>1,120,565</b>	<b>525,431</b>	<b>828,285</b>

  

	Gross maximum exposure	At 31 December 2021	
		Value of collateral held / Offsetting positions	Net exposure
Cash and placements with banks	346,729	2,257	344,472
Trading fixed income instruments	531,482	111,506	419,975
Derivative financial assets	220,257	984,209	34,397
Balances with customers	637,409	2,535,866	1,425
Balances with counterparties	809,851	126,010	683,841
including balances under control of related companies	426,932	-	426,932
Securities purchased under agreements to resell and other securities pledged as collateral	3,127,082	3,283,123	466,762
<b>Total</b>	<b>5,672,810</b>	<b>7,042,971</b>	<b>1,950,872</b>

### c) Concentration risk

The effective management and limitation of concentration risk is of fundamental importance for Renaissance Capital. However, the single-name concentrations and concentration on certain markets, geographies (emerging markets and CIS) are embedded in the business model of Renaissance Capital.

The information is presented based on the assets breakdown, so excluding the collateral provided by counterparties, but including collateral placed versus open liabilities:

	At 31 December	
	2022	2021
Receivable on derivative financial assets	3,638	34,397
Trade receivable from brokers and dealers	32,171	256,862
Loans receivable	-	426,979
Value for concentration analysis including the balances under control of related companies	<b>35,809</b>	<b>718,238</b>
Balances under control of related companies:		
Loans receivable	-	(426,932)
Total balances under control of related companies	-	(426,932)
<b>Total value for concentration analysis excluding the balances under control of related companies</b>	<b>35,809</b>	<b>291,306</b>

The tables below provide a breakdown of Renaissance Capital's gross counterparty exposure by counterparty types, geographical regions and ratings:

	At 31 December 2022				
	Developed countries	Russia	Africa	Other emerging markets	Total
Market Infrastructure Institutions	-	21,779	69	-	21,848
Broker/Dealers	6,067	1,380	-	133	7,590
Commercial Banks	2,769	1,738	230	-	4,735
Funds	21	1,127	-	54	1,202
Others	28	15	-	374	417
Corporates	9	-	4	-	13
Private Company	4	-	-	-	4
<b>Total</b>	<b>8,898</b>	<b>26,047</b>	<b>303</b>	<b>561</b>	<b>35,809</b>

At 31 December 2021					
	Developed countries	Russia	Africa	Other emerging markets	Total
Commercial Banks	78,126	64,801	2,897	39	145,863
Broker/Dealers	114,784	3,332	2	-	118,118
Market Infrastructure Institutions	-	19,423	88	15	19,538
Funds	1,048	5,820	-	2	6,970
Corporates	-	287	-	-	297
Private Company	18	-	-	259	277
Others	9	-	4	132	145
<b>Total</b>	<b>193,985</b>	<b>93,773</b>	<b>3,101</b>	<b>447</b>	<b>291,306</b>

At 31 December		
	2022	2021
<i>Internal rating</i>		
AA	2,425	4,852
A+	995	1,042
A	288	47,098
A-	62	6,009
BBB+	881	20,167
BBB	1,901	41,943
BBB-	-	70,389
BB+	-	4,524
BB	-	5,920
BB-	3,402	75,445
B+	23,790	3,338
B	69	9,691
B-	74	664
CCC+	1,397	44
CCC	54	2
CCC-	38	-
Not rated	433	178
<b>Total</b>	<b>35,809</b>	<b>291,306</b>

Key exposures are sitting within the Russian subsidiary of the Group where under the agreed risk mitigation plan implies trading on the Moscow Stock Exchange only to decrease any potential counterparty and sanctions risks.

### Concentration issuer risk

The tables below provide a breakdown of the Group's issuer risk for the fixed income instruments by geographical regions, economics sectors and internal ratings. The key change is explained by the downgrade of Russian Federation credit rating by the international rating agencies. The internal rating reflects the internal view of Renaissance Capital on the further perspective of Russian economy:

At 31 December 2022					
	Developed Countries	Russia	Africa	Other emerging markets	Total
Government and Regions	36,764	180,436	10,429	2,500	230,129
Retail	-	55,333	-	-	55,333
Finance	4,267	21,616	167	3,488	29,538
Energy	-	11,056	-	7,263	18,319
Others	6	2,702	-	4,131	6,839
Metals & Mining	-	2,962	-	-	2,962
IT & Media	-	1,265	-	291	1,556
<b>Total</b>	<b>41,037</b>	<b>275,370</b>	<b>10,596</b>	<b>17,673</b>	<b>344,676</b>

At 31 December 2021					
	Developed Countries	Russia	Africa	Other emerging markets	Total
IT & Media	-	169,418	-	-	169,418
Government and Regions	20,148	103,809	489	17,502	141,948
Finance	20	62,971	-	9,881	72,872
Others	1	2,572	-	11,634	14,207
Energy	-	986	-	10,018	11,004
Metals & Mining	-	2,095	-	8,431	10,526
<b>Total</b>	<b>20,169</b>	<b>341,851</b>	<b>489</b>	<b>57,466</b>	<b>419,975</b>



	At 31 December	
	2022	2021
<i>Internal rating</i>		
AAA	35,077	18,192
AA-	1,686	1,956
BBB	-	496
BBB-	106	123,760
BB+	-	48,752
BB	1	301
BB-	2,050	172,860
B+	169,141	32,349
B	31,059	387
B-	13,671	6,982
CCC+	79,340	4,012
CCC	13	6,077
D	6,037	-
Not rated	6,495	3,851
<b>Total</b>	<b>344,676</b>	<b>419,975</b>

### 31.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity and commodity prices, interest rates and foreign exchange rates. Market risk arises from Renaissance Capital exposure to changes in market prices for equities, interest rates and foreign exchange rates as well as correlations between various market prices and their volatility.

Taking into account trading / brokerage activities of Renaissance Capital, the market risk arises from all relevant trading positions / securities allocated to the books of Renaissance Capital. The main objective of the market risk management is to mitigate the possible loss from uncertainties in market risk factors (equities prices, interest rates, currencies and commodities prices).

All positions in financial instruments are classified as "trading book" positions with daily evaluation and calculation of market risk parameters. The market risk can also arise as interest rate risk from lending / borrowing contracts or fixed income securities kept in portfolio. The majority of these contracts as well as other financial assets and liabilities generally bear interest at fixed rates over fixed time horizons for fixed income securities or floating rates for the lending / borrowing contracts. Consequently, Renaissance Capital does not consider itself exposed to significant non-trading interest rate risk.

Renaissance Capital applies a Value-at-Risk-model ("VaR-model"):

- Historical VaR model for equity and commodity positions based on the previous 36 months' historical data;
- Parametric VaR model for currency positions based on the previous 36 months' historical data;
- Historical VaR model for interest rate risk bearing positions based on 36 months' historical data.

The VaR measures the amount of maximum loss which will not be exceeded with 99% probability because of normal but adverse market price movements over one day holding period.

	At 31 December	
	2022	2021
Equity and commodities	9,486	5,216
Interest rate	7,382	4,480
Foreign exchange	8,369	579
<b>Total VaR</b>	<b>19,219</b>	<b>6,900</b>

In 2022, the market risk has materially increased due to realized risks of sanctioned measures against Russia and the respective answer to that and limited ability of some entities of the Group to access Russian market to liquidate the open position as well as limited access to the Russian-risk hedging instruments.

### 31.6 Currency risk

The Group operates a policy of converting or hedging foreign currency trading receivables into USD to reduce its exposure to any local currency risk. The Group continuously uses short and medium-term derivative instruments to hedge foreign currency exchange risk, as well as to implement certain arbitrage strategies. The Treasury is responsible for managing FX risk arising from non-trading activities of Renaissance Capital. In 2022, the ability to hedge the Russian rubles exposure was limited for the entities incorporated outside of Russia. The key exposure in rubles are generated by cash of non-Russian entities of the Group temporarily frozen on type-C accounts within Russian banks and custodians due to Russian local regulations announced in answer to the sanctions and Russian local securities mainly received by conversion of Depository Receipts into local stocks to save the value of positions due to cancellation of many Depository programs with Russian-based underlying.

At 31 December 2022

	US\$	Rubles	EUR	GBP	African currencies	Other
<b>Assets</b>						
Cash and cash equivalents	110,814	172,057	38,899	3,246	17,764	28,279
Financial assets at fair value held for trading	377,242	107,197	3,772	1,686	-	-
Trading assets pledged as collateral	3,256	73,010	-	-	-	-
Derivative financial assets	(66,337)	120,127	(1,490)	-	-	(30,650)
Securities purchased under agreements to resell	-	63,799	-	-	-	-
Receivables	104,734	65,695	25,605	684	1,948	692
Other assets and receivables	2,982	1,146	456	3,398	848	-
<b>Total assets</b>	<b>532,691</b>	<b>603,031</b>	<b>67,242</b>	<b>9,014</b>	<b>20,560</b>	<b>(1,679)</b>
<b>Liabilities</b>						
Financial liabilities at fair value held for trading	15,469	-	-	-	-	-
Derivative financial liabilities	(1,731)	11,937	(8,831)	-	-	-
Securities sold under agreements to repurchase	112,180	64,917	-	-	-	5,397
Payables	224,930	219,847	149,562	4,094	1,833	22,473
Financial liabilities designated at fair value through profit or loss	-	-	-	-	11,268	-
Accrued expenses	40,561	-	290	969	226	-
Other liabilities	57,303	861	249	849	197	-
<b>Total liabilities</b>	<b>448,712</b>	<b>287,562</b>	<b>141,270</b>	<b>5,912</b>	<b>13,524</b>	<b>27,870</b>
<b>Total net position</b>	<b>83,979</b>	<b>315,469</b>	<b>(74,028)</b>	<b>3,102</b>	<b>7,036</b>	<b>(29,549)</b>
<b>Off-balance sheet positions</b>						
Exchange-traded currency sw aps	-	(44,247)	-	-	-	42,674
Exchange-traded currency options	(1)	(1,305)	542	-	-	764
Exchange-traded currency futures	(3,251)	9,368	-	-	-	(6,117)
<b>Total net position</b>	<b>80,727</b>	<b>279,285</b>	<b>(73,486)</b>	<b>3,102</b>	<b>7,036</b>	<b>7,772</b>

At 31 December 2021

	US\$	Rubles	EUR	GBP	African currencies	Other
<b>Assets</b>						
Cash and cash equivalents	216,307	56,077	48,721	7,113	13,712	4,811
Financial assets at fair value held for trading	296,180	7,186	44	1,956	29,795	-
Trading assets pledged as collateral	422,196	158,693	4,601	-	81,467	-
Derivative financial assets	757,895	(207,301)	(394,349)	(23,479)	(6,951)	(96,336)
Securities purchased under agreements to resell	415,303	189,208	340,578	2,586	-	-
Receivables	838,310	126,818	34,011	6,745	4,254	10,143
Loans receivable	426,932	-	-	47	-	-
Other assets and receivables	1,072	1,654	3,214	2,958	1,037	1,366
<b>Total assets</b>	<b>3,374,195</b>	<b>332,335</b>	<b>36,820</b>	<b>(2,074)</b>	<b>123,314</b>	<b>(80,016)</b>
<b>Liabilities</b>						
Financial liabilities at fair value held for trading	188,042	6,216	1,169	-	-	-
Derivative financial liabilities	590,038	(222,183)	(228,840)	13,426	(2,203)	(80,930)
Securities sold under agreements to repurchase	1,635,058	471,173	38,256	2,314	-	-
Payables	501,884	81,144	195,460	7,172	8,721	3,815
Financial liabilities designated at fair value through profit or loss	1,171	-	-	-	111,418	-
Accrued expenses	57,546	3	60	1,700	411	-
Other liabilities	54,254	2,377	487	790	421	-
<b>Total liabilities</b>	<b>3,027,993</b>	<b>338,730</b>	<b>6,592</b>	<b>25,402</b>	<b>118,768</b>	<b>(77,115)</b>
<b>Total net position</b>	<b>346,202</b>	<b>(6,395)</b>	<b>30,228</b>	<b>(27,476)</b>	<b>4,546</b>	<b>(2,901)</b>
<b>Off-balance sheet positions</b>						
Exchange-traded currency sw aps	5,900	(6,081)	-	-	-	-
Exchange-traded currency options	21,181	(21,135)	(46)	-	-	-
Exchange-traded currency futures	(32,087)	60,860	(28,773)	-	-	-
<b>Total net position</b>	<b>341,196</b>	<b>27,249</b>	<b>1,409</b>	<b>(27,476)</b>	<b>4,546</b>	<b>(2,901)</b>

African currencies include Nigerian Naira, Kenyan Shilling, South African Rand and other African currencies. Some African currencies may have lower liquidity than currencies of the developed economies and may have limitations on exchangeability with foreign currencies in short-term. The volume of the African currencies that can be exchanged via official mechanisms may be limited in some African countries.

### 31.7 Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet all payment or repayment obligations as they fall due, including the risk that the Group is unable to fund increases in assets at reasonable prices within a reasonable timeframe. Thus, liquidity risk can be divided into two elements: (1) Funding liquidity risk (having sufficient capacity to repay liabilities in normal and distressed markets); (2) Market liquidity risk (ensuring that the Group monitors the time it would take to reduce its assets in relation to the Group's ability to access funding in stressed markets).

The Liquidity Management Unit, being part of the Treasury function, is responsible for all aspects of liquidity risk management, including cash management and funding. To mitigate liquidity risk, the Group's Management has established global liquidity and funding policies as well as ensures that the individual legal entities have the enough liquidity to manage their own activity.

For effective liquidity management, detailed cash flow forecast is prepared by the Liquidity Management Unit on a daily basis. In addition, the Liquidity Management Unit reviews projections of the liquidity of the Group's trading assets, available inventory and daily cash summaries for significant legal entities.

To consider potential stressed market conditions related to funding and market liquidity risk, liquidity stress tests are performed on a regular basis. Multiple scenarios are considered in these analyses. In each scenario the possible liquidity gaps are identified, reported to Management and necessary actions are taken. In 2022, despite the difficult economic and infrastructural conditions showed the manageable liquidity risk profile of the Group.

The table below summarizes the maturity profile of Renaissance Capital financial assets and liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date.

	At 31 December 2022					Total
	Due within 1 month	Due between 2 and 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years	
<b>Assets</b>						
Cash and cash equivalents	371,059	-	-	-	-	371,059
Financial assets at fair value held for trading	489,897	-	-	-	-	489,897
Trading assets pledged as collateral	76,266	-	-	-	-	76,266
Derivative financial assets with net settlement	1,055	752	8	12	-	1,827
Derivative financial assets with gross settlement:	3,706	476	-	-	-	4,182
contractual amount receivable	121,219	2,605	-	-	-	123,824
contractual amount payable	(117,513)	(2,129)	-	-	-	(119,642)
Securities purchased under agreements to resell	63,799	-	-	-	-	63,799
Receivables	199,358	-	-	-	-	199,358
Other assets and receivables	1,372	2,758	1,946	2,754	-	8,830
<b>Total</b>	<b>1,206,512</b>	<b>3,986</b>	<b>1,954</b>	<b>2,766</b>	<b>-</b>	<b>1,215,218</b>
<b>Liabilities</b>						
Financial liabilities at fair value held for trading	15,469	-	-	-	-	15,469
Derivative financial liabilities with net settlement	217	458	227	30	-	932
Derivative financial liabilities with gross settlement:	110	298	-	-	-	408
contractual amount receivable	(53,998)	(2,129)	-	-	-	(56,127)
contractual amount payable	54,108	2,427	-	-	-	56,535
Securities sold under agreements to repurchase	182,494	-	-	-	-	182,494
Payables	612,739	-	-	-	-	612,739
Financial liabilities designated at fair value through profit or loss	11,268	-	-	-	-	11,268
Accrued expenses	673	32,174	4,666	4,533	-	42,046
Lease liabilities	6	905	2,585	6,278	-	9,774
Other liabilities	964	484	58,011	-	-	59,459
<b>Total</b>	<b>823,940</b>	<b>34,319</b>	<b>65,489</b>	<b>10,841</b>	<b>-</b>	<b>934,589</b>
<b>Net position</b>	<b>382,572</b>	<b>(30,333)</b>	<b>(63,535)</b>	<b>(8,075)</b>	<b>-</b>	<b>280,629</b>
<b>Accumulated gap</b>	<b>382,572</b>	<b>352,239</b>	<b>288,704</b>	<b>280,629</b>	<b>280,629</b>	

	At 31 December 2021					Total
	Due within 1 month	Due between 2 and 3 months	Due between 4 and 12 months	Due between 1 and 5 years	Due after 5 years	
<b>Assets</b>						
Cash and cash equivalents	346,741	-	-	-	-	346,741
Financial assets at fair value held for trading	335,161	-	-	-	-	335,161
Trading assets pledged as collateral	666,957	-	-	-	-	666,957
Derivative financial assets with net settlement	7,304	72,355	88,905	22,687	246	191,497
Derivative financial assets with gross settlement:	7,466	12,990	7,666	638	-	28,760
contractual amount receivable	433,371	501,113	431,046	58,210	-	1,423,740
contractual amount payable	(425,905)	(488,123)	(423,380)	(57,572)	-	(1,394,980)
Securities purchased under agreements to resell	773,690	-	173,985	-	-	947,675
Receivables	1,017,759	2,522	-	-	-	1,020,281
Loans receivable	-	-	-	448,741	-	448,741
Other assets and receivables	1,385	3,978	2,894	3,044	-	11,301
<b>Total</b>	<b>3,156,463</b>	<b>91,845</b>	<b>273,450</b>	<b>475,110</b>	<b>246</b>	<b>3,997,114</b>
<b>Liabilities</b>						
Financial liabilities at fair value held for trading	195,427	-	-	-	-	195,427
Derivative financial liabilities with net settlement	10,576	32,919	63,408	36,579	147	143,629
Derivative financial liabilities with gross settlement:	1,847	2,871	4,781	-	-	9,499
contractual amount receivable	(258,065)	(192,051)	(431,280)	-	-	(881,396)
contractual amount payable	259,912	194,922	436,061	-	-	890,895
Securities sold under agreements to repurchase	2,146,801	-	-	-	-	2,146,801
Payables	783,632	45	14,519	-	-	798,196
Financial liabilities designated at fair value through profit or loss	112,589	-	-	-	-	112,589
Accrued expenses	2,433	32,209	17,500	7,578	-	59,720
Lease liabilities	72	1,162	3,480	12,357	-	17,071
Other liabilities	-	3,934	54,395	-	-	58,329
<b>Total</b>	<b>3,253,377</b>	<b>73,140</b>	<b>158,083</b>	<b>56,514</b>	<b>147</b>	<b>3,541,261</b>
<b>Net position</b>	<b>(96,914)</b>	<b>18,705</b>	<b>115,367</b>	<b>418,596</b>	<b>99</b>	<b>455,853</b>
<b>Accumulated gap</b>	<b>(96,914)</b>	<b>(78,209)</b>	<b>37,158</b>	<b>455,754</b>	<b>455,853</b>	

At 31 December 2021, loans receivable from the shareholder had contractual maturity dates in February 2022. In 2022, the loans maturity dates were rolled to February 2023 and fully settled in 2022.

The Group classifies its assets which do not have stated maturity (such as cash and financial assets and liabilities at fair value held for trading) based on the expected term required to realize them in due course. In the normal course of business, the Group considers that most of the financial assets and liabilities at fair value held for trading can be realized in a short term period within 2 weeks. Those financial assets that are not traded in an active market and are less liquid are classified in other categories, as appropriate.

Trading assets pledged as collateral are represented by liquid securities. The term required to realize these assets depends on repurchase agreements' duration which is short-term in most cases. Therefore, trading assets pledged as collateral are classified as due within one month.

## 32 Offsetting of financial instruments

The tables below show financial assets offset against financial liabilities and financial liabilities against financial assets in the Consolidated Statement of Financial Position, as well as the effect of enforceable master netting agreements and similar arrangements that do not result in the offset in the Consolidated Statement of Financial Position:

	At 31 December 2022										
	Effect of remaining rights of set off										
	Gross carrying amounts	Gross carrying amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Financial liabilities/assets	Fair value of cash collateral received/paid	Fair value of other collateral received/delivered	FX offsetting	Derivatives offsetting	Payable to customers	DVP settlement	Net exposure
<b>Financial assets recognized at the end of the year by type</b>											
Derivative financial assets	6,055	(46)	6,009	(757)	(1,614)	-	-	-	-	-	3,638
Securities purchased under agreements to resell	63,799	-	63,799	(63,796)	-	(3)	-	-	-	-	-
Receivables (variation margin)	1	(1)	-	-	-	-	-	-	-	-	-
Receivables (brokers and dealers)	1,284,672	(1,088,815)	195,857	-	-	-	(69,617)	-	(58,509)	(35,560)	32,171
<b>Financial liabilities recognized at the end of the year by type</b>											
Derivative financial liabilities	1,386	(46)	1,340	(757)	-	-	-	-	-	-	583
Total securities sold under agreements to repurchase	182,494	-	182,494	(63,796)	-	(118,644)	-	-	-	-	34
Payables (brokers and dealers)	1,261,788	(1,088,815)	172,973	-	-	-	(69,617)	(1,614)	-	(35,402)	46,332

At 31 December 2021										
Effect of remaining rights of set off										
	Gross carrying amounts	Gross carrying amounts offset in accordance with the offsetting criteria	The amount presented in statement of financial position	Financial liabilities/assets	Fair value of cash collateral received/disp'd	Fair value of other collateral received/disp'd	FX offsetting	Derivatives offsetting	D/P settlement	Net exposure
<i>Financial assets recognized at the end of the year by type</i>										
Derivative financial assets	238,742	(10,455)	228,287	(84,351)	(58,493)	(41,217)	-	-	-	34,300
Securities purchased under agreements to resell	947,675	-	947,675	(653,568)	-	(124,094)	-	-	-	(15)
Receivables (brokers and dealers)	1,115,318	(125,325)	989,993	-	-	-	(27,418)	(17,410)	(107,002)	258,867
<i>Financial liabilities recognized at the end of the year by type</i>										
Derivative financial liabilities	176,633	(17,455)	159,178	(84,351)	(117,803)	(8,569)	1	-	-	34,840
Total securities sold under agreements to repurchase	2,143,301	-	2,143,301	(653,568)	-	(11,435,130)	-	-	-	102
Payables (brokers and dealers)	1,091,204	(125,325)	965,879	-	-	-	(27,410)	(22,200)	(122,764)	182,570
Payables (various margin)	1,080	(1,080)	-	-	-	-	-	-	-	-

### 33 Capital management

The primary objective of the Group's capital management is to ensure that it maintains capital levels sufficient to support its operational activities and healthy capital ratios at individual entities in order to support its business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and regulatory environment.

#### 33.1 Regulatory capital

The Group operates through a number of regulated entities in Cyprus, Kenya, Nigeria, Russia, United Kingdom and the United States. In these jurisdictions the entities are subject to local capital adequacy rules and regulations. At 31 December 2022, the entities complied with these respective rules and regulations. The Group maintains adequate excess capital to ensure that any significant movements in volumes or market values do not impact the Group's compliance with the regulatory requirements.

The Group were engaged with CySEC in discussions as to the level at which consolidated supervision is to be applied, having regard to the immediate parent company RFHL which represents its consolidation group, as well as to the activities of Onexim Holdings Limited and the impediments of applying consolidated supervision at a level higher than RFHL. RFHL fell to be classified as a Union parent investment holding company under Article 4(1)(57) of the Investment Firms Regulation (EU) 2019/2033 (the "IFR"), and therefore is subject to the provisions of supervision on a consolidated basis of the Investment Firms Directive (EU) 2019/2034 (the "IFD"). Previously, the Group assessed that it was subject to consolidated supervision by the Cyprus Securities and Exchange Commission ("CySEC") under the provisions of Regulation (EU) 575/2013 (as further amended) on prudential requirements for credit institutions and investment firms. Since 31 December 2019, the Group was required to calculate and report consolidated Group capital adequacy requirements on a group-wide basis at the level of RFHL. Following consultation with the CySEC, as of 18 November 2022, the Group is no longer subject to consolidated supervision and is no longer required to calculate and report consolidated Group capital adequacy.

As at 31 December 2021, RFHL on a consolidated basis was required to have own funds (consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital) which are above 100% of its own funds' requirements, as per Article 9 of the IFR. As at 31 December 2021, the Group was in compliance with the minimum own funds' requirements enforced by CySEC as a European Union Competent Authority.

### 34 Fair value of assets and liabilities

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the following level of the fair value hierarchy:

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

Mostly Level 3 financial instruments are consisted of securities that have been delisted or otherwise are no longer tradable in open active markets and have been valued by the company based on internal assumptions and estimates.

At 31 December 2022, one of the Group's subsidiaries treated all securities traded on the Moscow Exchange as Level 2 financial instruments due to the fact that the Moscow Exchange is inaccessible by the subsidiary as a result of restrictions imposed owing to the Russian-Ukrainian conflict. Despite the massive changes faced by the Moscow

Exchange during 2022, it is still the active and efficient market for the Russian traded securities. To minimize the use of unobservable inputs and assumptions on intrinsic values of the Russian financial instruments, the Group uses the Moscow Exchange prices as the only observable and reliable source for valuation of such instruments.

As per current methodology Renaissance Capital treats all Eurobonds (except sovereign eurobonds with the investment grade country ratings that have good liquidity) as a grey area for determination of active market due to absence of reliable information on the volumes of the OTC traded instruments based on composite prices from Bloomberg and puts them in Level 2 instruments despite the fact the prices are observable.

For cash and cash equivalents, receivables and payables, securities purchased/sold under agreements to resell / repurchase and other current assets and liabilities the carrying amount approximates fair value due to the relatively short-term maturity of these financial assets and liabilities.

### 34.1 Recurring fair value measurement of assets and liabilities

The following tables present the financial instruments based on the fair value hierarchy:

	At 31 December 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets at fair value held for trading				
<i>Equity instruments</i>	21,412	196,819	-	218,231
<i>Fixed income instruments</i>	134,363	133,036	4,267	271,666
Trading assets pledged as collateral				
<i>Fixed income instruments</i>	73,010	-	-	73,010
<i>Equity instruments</i>	3,256	-	-	3,256
Derivative financial assets				
<i>Options</i>	-	1,376	-	1,376
<i>Forwards and Futures</i>	-	478	-	478
<i>Swaps</i>	-	4,155	-	4,155
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value held for trading				
<i>Equity instruments</i>	12,783	2,129	-	14,912
<i>Fixed income instruments</i>	-	557	-	557
Financial liabilities designated at fair value through profit or loss	-	11,268	-	11,268
Derivative financial liabilities				
<i>Options</i>	-	540	-	540
<i>Forwards and Futures</i>	-	87	-	87
<i>Swaps</i>	-	713	-	713

	At 31 December 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets at fair value held for trading				
<i>Equity instruments</i>	219,509	7,679	-	227,188
<i>Fixed income instruments</i>	23,290	80,877	3,806	107,973
Trading assets pledged as collateral				
<i>Fixed income instruments</i>	158,936	264,573	-	423,509
<i>Equity instruments</i>	243,385	63	-	243,448
Derivative financial assets				
<i>Options</i>	-	143,489	-	143,489
<i>Forwards and Futures</i>	-	15,896	-	15,896
<i>Swaps</i>	-	60,872	-	60,872
<b>Assets for which fair values are disclosed</b>				
Loans receivable:				
<i>Loans to shareholder</i>	-	-	426,932	426,932
<i>Other loans receivable</i>	-	-	47	47
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value held for trading				
<i>Equity instruments</i>	181,173	3,602	-	184,775
<i>Fixed income instruments</i>	6,216	4,436	-	10,652
Financial liabilities designated at fair value through profit or loss	-	112,589	-	112,589
Derivative financial liabilities				
<i>Options</i>	-	85,614	-	85,614
<i>Forwards and Futures</i>	-	23,646	-	23,646
<i>Swaps</i>	-	43,868	-	43,868

### 34.2 Valuation techniques and assumptions

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques or for which fair values are disclosed. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

#### a) Derivatives

OTC derivatives valued using a valuation technique are mainly foreign exchange, commodity and equity forward contracts, FX and equity options and different types of swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations, as well as Black-Scholes and binomial models in case of options. These models incorporate various market observable inputs including equity spots, foreign exchange spots and forward rates, interest rate curves, credit spreads and volatilities.

#### b) Trading securities

Equities are mainly valued based on the last price available on the exchange of the main listing, same for local bonds traded on Moscow Exchange. Eurobonds and local African bonds that do not have exchange-based quotes are valued based on the composite quotes available within the data sources (Bloomberg) or quotes received from well-known market participants.

Rarely trading securities, for which fair value is determined using a valuation technique or pricing models, consist of unquoted equity or debt securities. Where comparable securities are quoted in an active market then fair value is estimated by adjusting value of comparable securities for differences in liquidity and other risks. Valuation of fair value of securities can also be based on discounted cash flow techniques using market rates for interest, liquidity, credit and other risks.

The structured notes investments included into financial assets at fair value held for trading within Level 3 are reflected based on the issue price adjusted by the bid-ask spread. No liquidity adjustments were applied as the position is assessed as sellable at issue price. The credit risk adjustment is not applied as the underlying shares are pledged as per the notes' documentation.

### c) Loans receivable and loans payable

The estimate is made by discounting scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective period-end. The total carrying amount of loans receivable and loans payable approximates their fair values.

### d) Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are assessed in accordance with the valuation techniques defined in the prospectus of the issued instruments.

## 35 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to its substance not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2022 and 31 December 2021 is detailed below.

### 35.1 Balances with related parties

At 31 December 2022 and 31 December 2021, the outstanding balances with related parties were as follows:

At 31 December 2022			
	Shareholder	Key Management	Other related parties
<b>Assets</b>			
Financial assets at fair value held for trading	-	-	2,730
Derivative financial assets	-	-	37
Other assets and receivables	-	-	361
<b>Liabilities</b>			
Derivative financial liabilities	-	-	535
Payables	-	2,443	-
At 31 December 2021			
	Shareholder	Key Management	Other related parties
<b>Assets</b>			
Financial assets at fair value held for trading	-	-	2,344
Derivative financial assets	-	-	24
Loans receivable	426,932	-	47
Other assets and receivables	-	-	137
<b>Liabilities</b>			
Derivative financial liabilities	-	-	910

The table below shows amortized cost and credit loss allowance of balances with related parties as at 31 December 2021:

		At 31 December 2021		
		Gross carrying amount	Credit loss allowance	Amortized cost
Assets				
Loans receivable	OHL	485,150	(58,218)	426,932
<hr/>		<hr/>	<hr/>	<hr/>
Total		485,150	(58,218)	426,932



### 35.2 Transactions with related parties

The income and expense items with related parties for the years ended 31 December 2022 and 31 December 2021 were as follows in addition to those described in the Notes above:

	For the year ended 31 December 2022		
	Shareholder	Key Management	Other related parties
Net fee and commission income	-	377	-
Interest income	16,343	-	292
Interest expense	-	-	(185)
Reversal of impairment loss	58,218	-	-
Personnel expenses	-	(34,534)	-
Other operating expenses	-	(4,000)	(341)

  

	For the year ended 31 December 2021		
	Shareholder	Key Management	Other related parties
Net fee and commission income	-	-	132
Interest income	21,750	-	795
Reversal of impairment loss	7,182	-	-
Personnel expenses	-	(14,140)	-
Other operating expenses	-	(4,000)	(510)

## 36 Financial commitments and contingencies

### Legal claims and contingent liabilities

Legal claims initiated by the Group as well as legal actions against the Group may occur due to the nature of the business undertaken, operating environment and considering changes in the shareholder's structure. The Group has formal controls and policies in place for managing such matters. Once professional advice has been taken and the value or exposure of the claim reasonably estimated, the Group makes adjustments to account for any effects which the claims may have on its financial standing.

In 2017, the Company was made a defendant to a claim in the Mauritian courts in relation to a real estate project in Kenya, to which RFHL was previously a lender and shareholder, on the basis of alleged unlawful dilution of the claimant's shareholding interest. In February 2020, the claimant filed a proposed amendment to the plaint seeking to have RFHL removed as a party and to have RCIL brought into the proceedings, on the basis that RCIL was a shareholder in the project at that period of time (RCIL acquired the shareholding in the project at the end of 2014) but due to the liquidation of RCIL its shares in the project were sold to a 100 % subsidiary of RFHL on 11 June 2020. The litigation matter for the Company is still at an early stage with the hearing scheduled for 7 September 2023. At present, based on its assessment of an external legal opinion received, the risk of a negative outcome of the case for RFHL and other subsidiaries of the Group is assessed to be remote.

Save as mentioned above, there have been no governmental, legal or arbitration proceedings, including any of which are pending or threatened, against the Group, that the Group is aware of which may have, or have had in the recent past, significant effect on the Group's financial position or results of operations or prospects, save in respect of certain matters the disclosure of which could be expected to prejudice seriously their outcome.

## 37 Operating environment

Renaissance Capital operates with a focus on emerging markets, including historically Russia.

The military-political conflict between Russia and Ukraine broken out in February 2022 and the escalation of tensions between the European Union ("EU"), the United States ("USA") and the United Kingdom ("UK") on the one hand and Russia on the other led to significant diversity of sanctions imposed from both sides. Starting from mid-February 2022 the Group has been negatively impacted by the external factors affecting financial markets, including severe restrictions to trading on Russian markets, restrictions on depositary movements between Russian and foreign depositories (primarily – Euroclear), international sanctions imposed by EU, USA and UK, significant negative revaluation of Russian equities, linked depositary receipts as well as Russian-issued bonds, significant volatility on derivatives and FX markets.

In response to the worsened operating environment the Group has undertaken a number of actions aiming at providing transparency about the situation to the regulators, clients and counterparties and at the same time addressing key challenges negatively affecting its business. As of the date of the Consolidated Financial Statements, while the situation has improved the challenges still remain and the Group continues to undertake its efforts in this respect.

A key challenge during the first quarter 2022 was the significant pressure on the Group's liquidity. As the liquidity situation was improving the Group's focus was moved more towards the unwinding of its proprietary positions and the settlement of the outstanding clients' and counterparties' liabilities in full compliance with EU, US and UK sanctions regimes. During 2022 and the first half of 2023, the Group made significant progress in resolving outstanding balances and in stabilization of its financial position.

Despite the stabilization of the Group's financial position, Management of the Group has made an assessment of the future prospects and concluded that given the global geopolitical sentiment the Group's historical business model is not sustainable in the longer term.

As such, the following restructuring measures have been agreed:

- Cyprus business restructuring: focus on agency trading with international counterparties; no directional proprietary trading or trading on margin involved; revision of the Cyprus broker's existing client base in accordance with the revised business model and infrastructure cost optimization.
- Sale of the Russian business subject to the approval from the Russia's authorities.
- Material restructuring of UK and US offices to continue as a niche player in frontier and emerging markets.
- Management buy-outs for the African subsidiaries of the Group.

Based on the information presented above we conclude that there are sufficient arguments that support preparation of the consolidated financial statements for the year ended 31 December 2022 on a going concern basis in accordance with IAS 1. In particular, the Board of Directors notes that:

- The timely implementation of recovery procedures has allowed the Group to avoid insolvency throughout the peak and any other time of the ongoing crisis.
- The Group has sufficient capital and liquidity to settle existing obligations to both its trading counterparties and clients.
- The Company received the financial support letter dd 26 April 2023 from Onexim Holdings Limited ("OHL"), shareholder of the Company, confirming its ability to financially support the Group, if and when required.
- The Group retains access to critical personnel, experience and infrastructure to continue its operations.

However, the current situation involves a significant number of material uncertainties in relation to the going concern of the Group:

- The Group as well as its trading counterparties and clients and operating environment are subject to further effects of the ongoing geopolitical crisis, volatility on core markets and other factors outside the control of the Group's Management. The potential occurrence and significance of impact of such factors represents material uncertainty.
- Further unwind of the Group's assets and liabilities depends on a number of factors outside of the Group's control, foremost the cooperation of Russian authorities, given a significant part of the Group's assets are securities in Russia, and the material uncertainties are around the valuation and the possibility to realize such assets.

The Company's Board of Directors has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

Notwithstanding this assessment and the conclusion reached, the Board of Directors considers that unless there is a successful outcome to the Material Uncertainties (Note 3.4 of the Consolidated Financial Statements), there may be significant doubt upon the Group's ability to continue as a going concern.

## **38 Events occurring subsequent to the reporting date**

The events occurring after the reporting date are described in the notes above.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Group's Management is continuously analysing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations and adjust its actions accordingly to derive the optimum value for the Group.

### 39 Group information

At 31 December 2022, the principal operating subsidiaries of the Group, all of which are 100% owned or fully controlled, are shown below:

Company	Domicile	Principal Business
Renaissance Securities (Cyprus) Limited <sup>1</sup>	Cyprus	Securities trading and brokerage services, investment services
Renaissance Broker Limited <sup>2</sup>	Russia	Securities trading and brokerage services
Renaissance Capital Limited <sup>3</sup>	United Kingdom	Brokerage and investment banking services
RenCap Securities, Inc. <sup>4</sup>	United States of America	Brokerage services
Renaissance Capital (Kenya) Limited <sup>5</sup>	Kenya	Brokerage and investment banking services
RenCap Securities (Nigeria) Limited <sup>6</sup>	Nigeria	Securities trading and brokerage services
Renaissance Securities (Nigeria) Limited <sup>6</sup>	Nigeria	Investment banking services
Renaissance Capital – Financial Consultant Limited	Russia	Investment banking services

<sup>1</sup> Regulated in Cyprus by the Cyprus Securities and Exchange Commission ("CySEC")

<sup>2</sup> Regulated in the Russian Federation by the Central Bank of the Russian Federation ("CBR")

<sup>3</sup> Regulated in United Kingdom by Financial Conduct Authority ("FCA")

<sup>4</sup> Regulated in the United States of America by the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC")

<sup>5</sup> Regulated in Kenya by the Capital Markets Authority ("CMA")

<sup>6</sup> Regulated in Nigeria by the Nigeria Stock Exchange ("NSE") and the Securities and Exchange Commission