Annual Report

AS KIT Finance Europe

Registration number	11058103
Address:	Roosikrantsi 11, Tallinn 10119
Telephone:	+372 663 0770
Fax:	+372 663 0771
E-mail:	office@kfe.ee
Website:	www.kfe.ee
Beginning and end of the financial year	01 January 2021 31 December 2021
Management board	Pavel Arhipov Galina Ruban
Chairman of the Board:	Elena Shilova
Members of the supervisory board:	Maivi Ots Irina Yashumova
Auditor:	Crowe DNW Ltd

Attached documents:

1. Independent auditor's report
2. Profit allocation proposal
3. List of activities

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MANAGEMENT REPORT

Owners and general management

AS KIT Finance Europe ('KFE' or 'Investment Firm') is an Investment Firm registered in Estonia in 2004. KFE is a 100% subsidiary of KIT Finance Broker (JSC), one of the largest brokerage companies in Russia, which has been operating in the investment services market since 2000.
KFE is governed by the Estonian Securities Market Act and by the directives and regulations of the European Parliament and Council. Financial supervision is conducted by the Estonian Financial Supervision Authority. KFE's core activity is provision of brokerage services to private and institutional investors. Currently the Investment Firm offers trading access to the USA, European, Russian and Hong Kong securities markets.

Business review

In 2021, KFE continued to provide investment services to private customers, professional investors, brokers, banks, insurance companies and hedge funds on stock, bond and futures markets. KFE also offers direct access to stock exchanges in a different foreign countries, for example, in Russia. Head office of KIT Finance Europe is located in Tallinn. KFE continues to provide services through its Limassol (Cyprus) branch and representative office in St. Petersburg (Russia).

KFE offers to its clients:

- Direct access (DMA) to Russian, USA, European and Asian Stock Exchanges.
- One account that is possible to use in different currencies and all markets that allow trading with different instruments in all over the world.
- First class technologies.
- Trading terminal QUIK, KIT Finance TWS and their applications for smart phones.
- Opportunity to use personal account on KFE Web page.
- Special application for sub-brokers and agents.
- Advanced service.
- Personal administrator for each of KIT's clients
- Flexible approach to service charges
- Individual connection schemes and customized products for all clients.
- Convenient reports

Business environment

The year 2021 is over, and although there has been significant progress from a market perspective compared to the previous year, there has been significant volatility in this area.

The COVID-19 pandemic continued to be a major factor in the global macroeconomic situation. For global financial markets, the second year of the COVID-19 pandemic has been almost as dramatic as the first.

Joe Biden unveiled a $ 1.9 trillion stimulus package to fight COVID-19 immediately after taking office. The closures of COVID-19 contributed to supply chain disruptions and rising inflation, US government bond yields began to rise and the dollar rose at the same time. The stock market soared at the beginning of the year, spurred by a wave of optimism that the mass adoption of COVID-19 vaccines, including the new Johnson & Johnson vaccine, meant a rapid return to normalcy. Crude oil prices continued to recover amid growing confidence that demand for oil will rise sharply as vaccines help the global economy recover. The introduction of COVID-19 vaccines, especially in the US and the UK, has helped boost the stock market.

The US S&P 500 rose more than 4% in March. Nearly 100 million Americans had been vaccinated against the coronavirus by the end of April, a promising sign of a rapid economic recovery. At the same time, unemployment remained high at 6% and about 2 million Americans were still unemployed compared to pre-pandemic times. In the third quarter, the COVID-19 pandemic raised concerns about whether the economic recovery would continue for the rest of the year, causing volatility.

The UK and European stock markets continued to grow. Chinese regulatory restrictions have had a strong impact on Chinese equities listed on the US stock exchange. The stock market started the fourth quarter at a peak as investors waited for the US quarter reports season to see how companies will benefit from rising costs. Large US corporations posted their highest quarterly earnings in more than a decade.

Fears that rising costs due to supply chain disruptions would remain a hostage to profitability quickly dissipated as companies were able to pass on rising costs to consumers.

The S&P 500, Dow Jones, Nasdaq reached record highs. Tesla was one of the most outstanding leaders of the month, reaching an all-time the highest result of 44%. Bitcoin jumped to record highs in the fourth quarter, the US Securities and Exchange Commission approved the ProShares Bitcoin Strategy ETF.

At the end of the year, the pandemic remained the main threat to the market as a new strain emerged in South Africa. Omicron caused a shock to the markets. Quarantine measures in Europe due to COVID-19 have increased significantly in some European countries..

The US Federal Reserve has signaled that the pace of reduction in bond purchases will be accelerated to allow enough room to start raising interest rates. This led to investor uncertainty, which affected risk appetite. The last month of the year saw sharp fluctuations in both directions as investors expected the Fed to double its bond purchase rate to $ 30 billion a month.

Fed leader Powell acknowledged the risk of inflation but also said the economy was strong enough to cope with the Federal Reserve's tightening plan. The sharp rise in inflation in 2021 has become one of the main reasons for investor anxiety. The pandemic has disrupted the global supply chain and made it difficult to deliver everything from microchips to potato chips.

US inflation rose to its highest level since 1980, and the Federal Reserve announced in December that it would end its asset purchase program earlier than expected. The Bank of England became the first G7 central bank to raise interest rates since the start of the pandemic. The market grew and technology companies showed strong growth after the Fed meeting.

Wall Street has risen 23%, but Bank of America estimates that about 65% of Nasdaq's profits come from just five companies - Microsoft, Google, Apple, Nvidia and Tesla.

European banks made their best annual performance in more than a decade, rising 33%, but emerging market stocks fell 7%, because of 30% drop in Chinese technology shares listed on the Hong Kong Stock Exchange due to the Beijing move. Commodity markets were experiencing an impressive recovery, while the world's major resource-intensive economies were struggling to return to normal.

The 40% and 50% rise in oil and natural gas prices was the best in the last five years and raised prices well above pre-pandemic levels. The price of the industrial key metal, copper, reached an all-time highest level in April, rising by almost 25% for the second year in a row. The growth of zinc was similar, aluminium increased by 40%, making the best increase since 2009. The price of gold fell, but agricultural markets flourished: corn rose by a quarter, sugar - by 20% and coffee - by 67%.

By the end of the reporting year, the Russian ruble strengthened by 7% against the Euro and by 1.9% against the US dollar. The MEOX index showed an upward trend of 8.5%, while the RTS index grew by 16.2%. The S&P 500 index increased by 28.3% during the year.
The seasonality or cyclicality of economic activities does not affect the company's business.

Economic results

KFE's income from service fees and interest amounted to EUR 6 184 171 in 2021 (EUR 4 040 175 in 2020, an increase of 53,1% compared to the previous year), operating expenses increased 8,7% and amounted to EUR 1 522 631 (2020 – EUR 1 400 510). The net profit for 2021 was EUR 2 074 344 (2020 – EUR 27 621, increased by 7410,0%).

Investment Firm´s key financial figures and ratios

(EUR)

	2021	2020	Change
Revenue, fees and interest income	6,184,171	4,040,175	53.1%
Net profit	2,074,344	27,621	7410.0%
Average equity	17,390,054	16,368,954	6.2%
Return on equity, (ROE), %	11.9	0.2	11.7
Assets, average	42,024,429	27,593,311	52.3%
Return on assets, (ROA), %	4.9	0.1	4.8
Total operating expenses	1,522,631	1,400,510	8.7%
Total income	3,845,688	1,558,046	146.8%
Expense / income ratio, %	39.6	89.9	-56.0%

- ROE (%) = Net profit / average equity * 100
- Average equity = (Financial year equity + last year equity)/2
- ROA (%) = Net profit / Assets, average * 100
- Assets, average = (Financial year assets + last year assets)/2
- Expense / income ratio (%) = Total operating expenses / Total income *100
- Total income = Net commissions and fees + Net interest income + Net gain (-loss) on financial transactions

Risks

According to the Management Board of AS KIT Finance Europe, the main risks are related to credit, market, currency, liquidity and operational risks. Appendix 2 of the report describes in more detail the risk management of AS KIT Finance Europe and the principles for calculating capital adequacy.

Management

The management board of an investment firm has two members and the supervisory board has three members. The members of the management board manage the day-to-day business of the investment firm. Based on the decision of the Supervisory Board of KFE, the division of responsibilities of the members of the Management Board has been established in accordance with the regulatory requirements, their knowledge and work experience. The supervisory board formulates the development directions and business strategy of the investment firm and supervises the activities of the management board.

KFE employees

As of the end of 2021, the company and its branches employ 22 people (in 2020 - 23 people). In the reporting year, the remuneration and gross remuneration (gross, incl. the branch) of the employees, members of the Supervisory Board and the Management Board was calculated in the amount of EUR 617,714 (EUR 598,387 in 2020).

Targets for the next financial year

The main goal of the investment company next year is to continue its operations in the global financial markets, open new market segments and offer new clients a high-quality and professional investment service.

Events after the balance sheet date

The change in the geopolitical situation in February 2022 due to the Russian-Ukrainian conflict, as well as the imposition of restrictions on the financial sector and the strengthening of the EU and US sanctions regime, has an impact on KFE's activities. The Company treats this situation as a non-adjusting event after the reporting date. The Management Board is monitoring the situation closely and based on our current position, this will have a significant negative impact on our operations. Due to the uncertain and rapidly changing situation, we do not consider it appropriate to make a quantitative assessment of the potential impact of the military conflict and international sanctions on the company and its financial performance. Information on the effects of events after the balance sheet date is provided in Note 22.

ANNUAL FINANCIAL STATEMENTS

Statement of financial position
(EUR)

	Note	31.12.2021	31.12.2020
Assets			
Current Assets			
Cash and bank balances	3	2,046,857	2,810,085
Financial assets at fair value through profit or loss including	4	0	4,973,540
Financial assets held for trading		*0*	*4,913,541*
Derivative instruments	4	*0*	*59,999*
Loans and receivables	5	48,292,254	25,083,377
Other receivables	6	12	1,250
Accrued income and prepayments	6	280,610	253,645
Non-current assets			
Property, plant and equipment	10	131,501	174,531
Intangible assets	11	549	647
TOTAL ASSETS		**50,751,783**	**33,297,075**
LIABILITIES AND EQUITY			
Financial liabilities at fair value through profit or loss	12	31,927,102	16,522,954
Payables to suppliers		45,246	34,795
Taxes payable	7	161,779	162,716
Accruals and prepayments	13	190,430	223,728
TOTAL LIABILITIES		**32,324,557**	**16,944,193**
Equity			
Share capital	14	1,612,710	1,612,710
Statutory capital reserve		161,271	161,271
Retained earnings		14,578,901	14,551,280
Profit for the period		2,074,344	27,621
TOTAL EQUITY		**18,427,226**	**16,352,882**
TOTAL LIABILITIES AND EQUITY		**50,751,783**	**33,297,075**

Statement of comprehensive income
(EUR)

	Note	01.01.21 - 31.12.21	01.01.20 - 31.12.20
Commission and fees received	16	1,621,315	1,527,646
Commissions and fees paid		-1,125,559	-735,090
Net commission and fee income		**495,756**	**792,556**
Intrest income	17	4,562,856	2,512,529
Intrest expense		-987,995	-448,923
Net intrest income		**3,574,861**	**2,063,606**
Net profit (loss) from financial assets at fair value through profit or loss	8	**-224,929**	**-1,298,116**
Data processing expenses		-325,436	-320,107
Administrative expenses		-295,355	-219,105
Other operating income/ expenses		-27,443	-2,025
Personnel expenses		-831,269	-810,412
Depreciation, amortization and impairment losses	10,11	-43,128	-48,861
Total expenses		**-1,522,631**	**-1,400,510**
Profit for the year		**2,323,057**	**157,536**
Income tax	15	-248,713	-129,915
Total comprehensive income for the year		**2,074,344**	**27,621**
Totale comprehensive income for the year attributable to:			
shareholders		**2,074,344**	**27,621**

Statement of cash flows
(EUR)

	Note	2021	2020
Cash flows from operating activities			
Profit for the period		2,074,344	27,621
Adjustments for:			
Depreciation, amortization and impairment losses	10,11	43,128	48,861
Gain/loss from financial investments	4	110,740	-690,344
Net interest income/-expenses		-3,574,861	-2,063,606
Other adjustments - Interest on finance leases		7,184	12,601
Change in receivables and prepayments		-44,381	1,287,106
Change in liabilities and prepayments		17,610	-100,391
Paid income tax		-117,010	0
Change in loans receivable and payable		-7,886,347	4,252,626
Interest received and paid		3,569,529	2,041,033
Net cash generated from operating activities		**-5,800,063**	**4,815,506**
Cash flows from investing activities			
Acquisition of property and equipment	10	0	-10,000
Interest received from securities		510	100,656
Acquisition of securities	4	-4,546,992	-5,343,138
Receipts from sale of securities	4	9,625,869	1,549,822
Net cash used in / from investing activities		**5,079,387**	**-3,702,660**
Cash flows from financing activities			
Finance lease payments	9	-42,552	-47,203
Dividends paid	14	0	-59,764
Net cash used in / from financing activities		**-42,552**	**-106,967**
Net cash flows		**-763,228**	**1,005,879**
Cash and cash equivalents at the beginning of period	3	**2,810,085**	**1,804,206**
Changes in cash and cash equivalents		**-763,228**	**1,005,879**
Cash and cash equivalents at the end of period	3	**2,046,857**	**2,810,085**

Statement of changes in equity
(EUR)

	Share capital	Statutory capital reserve	Retained earnings	**Total**
Balance 31 December 2019	**1,612,710**	**161,271**	**14,611,044**	**16,385,025**
Net profit for the period	0	0	27,621	**27,621**
Distributed dividends	0	0	-59,764	**-59,764**
Balance 31 December 2020	**1,612,710**	**161,271**	**14,578,901**	**16,352,882**
Net profit for the period	0	0	2,074,344	**2,074,344**
Distributed dividends	0	0	0	**0**
Balance 31 December 2021	**1,612,710**	**161,271**	**16,653,245**	**18,427,226**

Further information on share capital and movements in share capital is presented in Note 14.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1 Significant accounting policies

AS KIT Finance Europe (the "Investment Firm") is an Investment Firm which was registered in Estonia on August 2, 2004. The Investment Firm's registered office address is Roosikrantsi 11, Tallinn, Estonia. The Investment Firm is involved in the provision of investment services to private and institutional investors.

Statement of compliance

The annual financial statements of AS KIT Finance Europe as at and for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements have been prepared on the historical cost basis except where indicated otherwise in these accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except where indicated otherwise in these financial statements.

The Investment Firm's reporting year began on January 1, 2021 and ended on December 31, 2021. All financial information in the financial statements has been presented in euros, unless indicated otherwise.

Assets and liabilities are measured on a reasonable and conservative basis. The preparation of financial statements requires management to make judgements and estimates. The judgements and estimates are based on relevant information about the Investment Firm's financial position and intentions and risks at the date the financial statements are authorized for issue. The final outcome of transactions recognized in the reporting or preceding periods may differ from those judgements and estimates.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, term deposits with a maturity of up to 3 months and units in money market funds. Term deposits with a term of 3 to 12 months are recognized as short-term financial investments

Financial assets

Depending on the purpose of acquisition, financial assets are classified into the following categories:

- Debt securities held for trading or sale are measured at fair value through profit or loss
- Debt securities held for contractual cash flows and for sale are measured at fair value through other comprehensive income
- Debt securities held solely for the purpose of obtaining contractual cash flows are measured at amortized cost
- Equity instruments (investments in shares)- at fair value through profit or loss
- Loans and receivables are measured at amortized cost.

Purchases and sales of financial assets are recognized using settlement date accounting. No financial assets have been classified as held-to-maturity investments.

When a financial asset is recognized initially, it is measured at its fair value, plus, in the case a financial asset is not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that is classified as held for trading (i.e. it is acquired mainly for the purpose of selling or repurchasing it in the near term or it is a derivative that is not a hedging instrument) or some other financial asset which is designated as at fair value through profit or loss upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair values. A gain or loss arising from a change in the fair value of such financial assets is recognized consistently in profit or loss.
In the case of listed securities, the fair value of an investment is its quoted bid price. If the market for a financial instrument is not active, fair value is established using valuation techniques, which include recent arm's length transactions, discounted cash flow analysis and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at their amortized cost (cost less any principal repayments and any reduction for impairment) using the effective interest rate method.
Where it is probable that the Investment Firm is unable to recover a loan or receivable in accordance with the agreed terms and conditions, the item is considered impaired, and an impairment loss is recognized.

Provisions for credit losses

According to IFRS 9, the expected credit loss model (ECL) is a 3-step model based on changes in the credit quality of financial assets:

• performing assets - assets that do not show significant signs of credit deterioration, are recognized at the time they are recognized, and aggregated expected losses to be incurred within the next 12 months, based on past experience and future forecasts.
• Underperforming - Assets whose credit risk has increased significantly since the date of the recognition are recognized as loss expected to occur over the lifetime of the asset, individually or in a similar pool.
• Non-performing assets - Assets that are not received / do not operate are recognized as additional losses that are expected to arise from the asset over its lifetime, individually assessed for each asset.

Derivative financial instruments

Derivative financial instruments (forward, future, swap and option contracts) are measured at their fair values. A gain or a loss on financial instruments are recognized at fair value through profit or loss. The Investment Firm does not have any derivative financial instruments which are part of hedging relationships that qualify for hedge accounting.

Property, plant and equipment

Items of property, plant and equipment comprise assets used in the Investment Firm's business whose useful life exceeds one year and which cost exceeds 1000 EUR.

An item of property, plant and equipment is recognized initially at its cost. The cost of an item of property, plant and equipment comprises its purchase price (including customs duties and other non-recoverable taxes and duties) and the costs incurred in bringing the item to the location and condition necessary for it to be operating in the manner intended by management. Items of property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure on an item of property, plant and equipment which improves the standard of performance of the item beyond the originally assessed one and participates in the generation of future economic benefits is capitalized and added to the carrying amount of the item. Subsequent expenditure that is aimed at maintaining the standard of performance of an item of property, plant and equipment is recognized as an expense as incurred.
Items of property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis. The following annual depreciation rates are applied:

Other machines and equipment	20%
Other equipment, fixtures and fittings and IT equipment	20-35%

Intangible assets

When an intangible asset is recognized initially, it is measured at its cost. The cost of an intangible asset comprises its purchase price and directly attributable acquisition charges. Intangible assets are carried at cost less any accumulated amortization and any impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The following useful lives are assigned:

Software, patents, licenses, trademarks and other intangible assets	3-5 years

Financial liabilities

All financial liabilities (supplier payables, loans and borrowings, accrued expenses and other payables) are initially recognized at their fair value plus transactions costs that are directly attributable to their acquisition. Subsequent to initial recognition, financial liabilities are measured at their amortized cost.

The amortized cost of a current financial liability is generally equal to its nominal value. Therefore, current financial liabilities are measured at the amount payable. The amortized cost of a non-current financial liability is measured using the effective interest rate method. A financial liability is recognized as current when it is due to be settled within twelve months after the balance sheet date or the Investment Firm does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Loans and borrowings which are due to be settled within twelve months after the balance sheet date but which are refinanced on a long-term basis after the balance sheet date and before the financial statements are authorized for issue are classified as current liabilities. In addition, the Investment Firm classifies as current liabilities which the creditor has the right to call in at the balance sheet date due to breach of contract. Borrowing costs are recognized as an expense as incurred.

Fair value measurement

An investment firm shall measure financial instruments at fair value at each balance sheet date. The fair value measurement is based on the assumption that the sale of assets or payment of liabilities will take place in the conditions of the principal market for the asset or liability, or in the absence of a principal market in the conditions most advantageous for the asset or liability. An investment firm shall use fair value measurement techniques that use sufficient data to estimate fair value.
All assets and liabilities measured at fair value or disclosed in the financial statements are classified in accordance with the fair value hierarchy described below:
Level 1 - Quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2 - Valuation techniques for which the significant inputs at the lowest level are directly or indirectly observable;
Level 3 - Valuation techniques where the significant inputs at the lowest level are not directly or indirectly observable.
The entity assesses at the end of each reporting period whether assets and liabilities that are recurring in the financial statements need to be reclassified between levels.

Payables to employees

Payables to employees include vacation pay liabilities as at the balance sheet date calculated in accordance with effective laws and the terms of employment contracts. Vacation pay liabilities together with associated social security and unemployment insurance charges are recognized in accrued expenses in the balance sheet and in personnel expenses in the income statement.

Corporate income tax and differed tax

In accordance with effective legislation, in Estonia the profit earned by companies is not subject to taxation. Therefore, deferred tax assets and liabilities do not arise. Tax rates of profit distributed as dividends are as of 01.01.2019 either 20/80 or 14/86 of the net sum (until 31.12.2018 the rate was 20/80). The income tax payable on dividends is recognized as the income tax expense of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are distributed. The income tax and costs that have been calculated on the unpaid dividends at the time of the balance day sheet are adjusted according to the income tax rate of the new reporting year.
Income tax rate in Cyprus is 12,5% on the profit of branch adjusted for taxation purposes.

Foreign currency

Transactions in foreign currencies are translated to the presentation currency using the official exchange rates of European Central Bank quoted at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency and non-monetary financial assets and liabilities which are measured at fair value are re-translated to the Euros using the official exchange rates at the balance sheet date. Exchange gains and losses are offset and recognized in the income statement in the net amount.

Revenue

Revenue and expenses are recognized on an accrual basis. Fee income (including account management and private portfolio fees) is recognized when the service has been provided and the Investment Firm has the right to demand payment.
Interest income and dividend income are recognized when it is probable that economic benefits associated with the transaction will flow to the Investment Firm and the amount of the income can be measured reliably. Interest income is recognized on an accrual basis using the effective interest rate method except where collection of interest is uncertain. Where collection is uncertain, interest income is recognized on a cash basis. Dividends are recognized when the shareholder's right to receive payment is established.

Statement of cash flow

The cash flow statement is prepared using the indirect method – cash flows from operating activities are found by adjusting net profit by eliminating the effect of non-cash transactions and changes in current assets and current liabilities related to operating activity. The cash flows from investment and financing activities are recorded using the direct method.

Subsequent events

The financial statements reflect significant events affecting the measurement of assets and liabilities that occurred between the balance sheet date 31 December 2021 and the reporting date but relate to transactions during the reporting period or earlier periods.
Events after the balance sheet date that have not been taken into account in the valuation of assets and liabilities, but which significantly affect the operations of the next financial year are disclosed in the notes to the annual report.

Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the balance sheet only when the Investment Firm has a legally enforceable right to offset the recognized amounts and the Investment Firm intends either to settle on a net basis.

Changes in accounting policies

Leases

Initial measurement

On initial recognition, the lessee measures the cost of the asset that is the subject of the right of use at the beginning of the lease term. The right to use the asset is reflected in a separate item in the statement of financial position.

After the commencement of the lease term, the leases are recognized as a right to use the asset as assets and a lease liability as a liability from the date that the entity obtains the right to use the asset. Leases are accounted for using the cost model. To use the cost model, the lessee measures the right-to-use asset at its cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any revaluation of the lease liability. Assets held for use are generally depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

At the beginning of the lease term, the lessee measures the lease liability at the present value of the lease payments outstanding at that date. Lease payments are discounted using the effective interest rate of the lease or the alternative borrowing rate.

Further measurement

After the commencement of the lease term, the lessee measures the lease liability as follows:
- increasing the carrying amount according to the interest on the lease liability;
- reducing the carrying amount in accordance with the lease payments made.

The lessee recognizes the interest on the lease liability in the income statement. Lease payments are apportioned between the lease term according to the finance charge (interest expense) and the instalments of the lease liability, ie to reduce the carrying amount of the liability. The interest rate is the same at all times in relation to the residual value of the liability.

Information on leases (assets, liabilities, income statement items) is disclosed in Note 9

Events after the balance sheet date

New standards, interpretations and amendments thereto

Some new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2021 and which the entity has not early adopted.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. Management estimates that the amendments will not have an impact on the financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that

have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Management estimates that the amendments will not have an impact on the financial statements.
Covid-19-Related Rent Concessions – Amendments to IFRS 16

In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. Management estimates that the amendments will not have an impact on the financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its 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. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. Management estimates that the amendments will not have an impact on the financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. Management estimates that the amendments will not have an impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. Management estimates that the amendments will not have an impact on the financial statements.

Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. Management estimates that the amendments will not have an impact on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Management estimates that the amendments will not have an impact on the financial statements.

Note 2 Risk management and capital adequacy calculation principles

The risk management of the Investment Firm assumes the continuous and consistent identification and assessment of the risks and the factors influencing thereof, which is conducted pursuant to the selected ways and methods of monitoring but also the control of the management process. The main principles of risk management and control issues occurring during the activities of the Investment Firm are provided in the provisions of the Internal Rules and the Risk Management Policy of the Investment Firm. The risk management of the Investment Firm is conducted pursuant to the valid legal norms of the Republic of Estonia and the European Union.

The risk management strategy is based on optimizing the ratio of the profitability of the Investment Firm to the level of assumed risks. Development of risk assessment methods and establishment of numerical parameters for criteria is completely in the competence of the management board of the investment firm. The principles and methodology of risk management are regularly reviewed and updated when needed. The risk management process consists of continual and persistent risk identification, risk assessment, impact of the methods chosen and control over the risk management process.

2.1. Credit risk

Credit risk is a risk that the investment firm has to bear the losses, if the parties of the securities transactions and the customers of the investment trust fail to perform their contractual obligations or fail to perform their contractual obligations duly or properly, and if the value of the security for the loan decreases. The main reasons for the occurrence of risk are giving the customers the possibility for margin trading with the liquid financial instruments serving as the security and with the term of one day (the term of the credit may be extended) and the own funds deposited in credit institutions and investment trusts.

For calculating the capital requirements necessary for securing credit risks, the investment firm uses the standard method, for assessing the value of the security the complex method is used.
As of 31 December 2021, the minimum capital requirement for covering the credit risk amounted to EUR 28,370 and was divided as follows:

2.1.1. Credit quality

Position opened to credit risk	Credit risk position before the implementation of mitigation methods (EUR)	Credit risk position after the implementation of mitigation methods (EUR)	Capital requirement 8% (EUR)
Receivables from banks	2,049,388	354,608	28,369
Receivables from customers	48,292,265	0	0
Other receivables	11	11	1
Total	**48,292,276**	**354,619**	**28,370**

2.2. Market risk

Market risk involves potential losses which may occur in result of the adverse changes of such market factors as foreign currencies, rates of listed securities or base interest rates.
The total regulative volume of the capital requirements necessary for covering the market risks was 103 300 euros and calculated as following:

	Capital requirement
Currency risk (see 2.2.1)	103,300
Risk in the Trading Book (see 2.2.2.)	0
Total	**103,300**

The investment company has a trading book, the purpose of which is to monitor compliance with the regulatory requirements for liquid assets, therefore there is no significant market risk in trading.

2.2.1. Currency risk

Currency risk is the risk that a change in an exchange rate will affect the value of the Investment Firm's assets and revenue when translated to the Euros disproportionately with the change in the value of the Investment Firm's liabilities and expenses. The Investment Firm is exposed to currency risk arising from fluctuations in the exchange rates of foreign currencies.

The investment firm owns a small trading portfolio, the aim of which is to monitor adherence to the regulative requirements established for liquid assets, which is why there is no substantial market risk from trading activities.

As of 31 December 2021, the general open currency position amounted to 1,291,246 euros and the capital requirement for currency risk was 581 938 euros and calculated as following:

Currency code	Long NET	Short NET	Total risk exposure amount	Capital requirement
AUD	268,714	260,893	7,821	626
CAD	32,234	28,164	4,070	326
CHF	22,472	21,846	627	50
CNY	1,600	1,461	139	11
EUR	19,733,670	2,584,603	0	0
GBP	628,537	595,704	32,834	2,627
HKD	596,886	500,842	96,044	7,684
JPY	322	322	0	0
NOK	26	26	0	0
RUB	56,742,153	55,932,737	809,415	64,753
SEK	4,277	3,656	621	50
USD	15,757,275	15,417,881	339,394	27,152
ZAR	67	67	0	0
MXN	550	268	282	23

TRY	22	22	0	0
Total	**93,788,803**	**75,348,490**	**1,291,246**	**103,300**

2.2.2. Risk on changes in value of securities

With the aim to adhere to the requirements established for liquid assets, the Investment Firm owns a conservative portfolio consisting of high liquidity securities. Considering the quality of the securities and the volume of the portfolio, there is no significant risk of change in the value of the portfolio. As of 31 December 2021, KFE did not have its own portfolio and was therefore exposed to EUR 0.

2.2.3. Interest rate risk

If the Investment Firm grants loans to the customers or short-term investments with fixed interest and this turn up to be lower than market interest for similar financial instruments, then the Investment Firm may face interest rate risk. Considering the nature of the activities of the Investment Firm and the structure of requirements, the occurrence of such risk is considered unlikely.

Loans receivables as of 31.12.2021 48,292,276		Effect
Increase of interest rate	4.00%	37,046
Decrease of interest rate	-4.00%	-37,046

The sensitivity analysis is based on the following formula: 37 046=(48 292 276 /365*7)* 4%

2.3. Liquidity risk

Liquidity risk is the risk that the Investment Firm does not have sufficient liquid funds to meet its financial obligations as they fall due. The framework of liquidity risk management includes all activities required for reliable detection, measurement, inspection and monitoring of the liquidity risk.
The Investment Firm calculates the liquidity coefficient according to regulative requirements, based on which the net inflow of funds cannot be less than 1/3 of Fixed Overhead Requirement, which was amounted to 127,431 euros by 31 December 2021.

2.4 Risk concentration

An investment firm monitors and controls its concentration risk in accordance with this Part, applying reliable administrative and accounting procedures and reliable internal control mechanisms. The concentration limit for the exposure value of an investment firm to an individual client or group of connected clients is 25% of its own funds.

If that individual client is an institution, or where the group of related clients includes one or more institutions, the concentration risk limit must be either 25% of the investment firm's own funds or EUR 150 million, whichever is greater. This is assuming that the sum of the exposure values of all exposures to connected clients (other than institutions) is subject to a concentration risk cap of 25% of the investment firm's own funds.

If EUR 150 million exceeds 25% of the investment firm's own funds, the concentration risk limit shall not exceed 100% of the investment firm's own funds. As of 31.12.2021, the Investment Firm did not exceed the risk concentration limit provided by law.

Secured loans not applicable

2.5. Operational risk

Operational risk is the risk that internal processes and / or systems do not function or do not function adequately due to a technical error or failure, the activity or inactivity of the Investment Firm's staff, or external factors.

Compliance control and internal audit have an important role in the assessment of operational risks. In the framework of monitoring and recording of operational risks the Investment Firm uses incident management program with automated alert system. The risk manager of the Investment Firm is responsible for monitoring the risk exposures. The Investment Firm also applies the "four eyes" principle, according to which, all cash or securities' transfers require the approval of at least two members of staff

As of 31 December 2021, the K-factor receivable related to the customer amounted to 340,147 euros.

Risk to client		**340,147**
Assets under management	0	0
Client money held - Segregated	37,348,414	149,394
Client money held - Non - segregated	0	0
Assets safeguarded and administered	322,933,435	129,173
Client orders handled - Cash trades	61,578,661	61,579
Client orders handled - Derivatives Trades	17,905	2

Appropriate client-related K-factors are approximations that cover the areas of activity of the investment firm from which clients may incur losses in the event of problems. Assets under management reflect the risk of loss to clients due to improper discretionary management of clients' portfolios or poor execution of orders, and provide certainty and benefit to clients by ensuring continued portfolio management and investment advisory services. The assets held and managed shall reflect the risks associated with the safekeeping and administration of the client's assets and shall ensure that the investment firm has a proportionate amount of capital, whether held in its balance sheet or in third party accounts. The client money held reflects the potential risk of loss in relation to the client money held by the investment firm, taking into account whether it is held in its own balance sheet or in third party accounts and whether applicable national law provides for the protection of client money in the event of bankruptcy, insolvency or resolution proceedings. at once. K-CMH does not reflect the client's money deposited in the (account operator's) bank account in the client's own name if the investment firm has access to the client's money under the authority of a third party. Available client orders reflect the potential risk to clients if the investment firm executes orders (on behalf of the client and not the investment firm itself), for example only as part of a client order execution service, or if the investment firm is part of a client order chain.

2.6 Capital Adequacy

An investment firm must at all times have own funds defined as the largest of the following:

a) the investment firm's fixed overheads requirement;
b) the permanent minimum capital requirement of the investment firm;
c) the investment firm's K-factor requirement.

The capital requirement of the investment firm as of 31.12.2021 amounted to 750,000 euros.

Item	Amount
Own Fund requirement	750,000
Permanent minimum capital requirement	750,000

Fixed overhead requirement	382,294
Total K-Factor Requirement	584,139

Item	**Amount**
CET 1 Ratio	2,180.31%
Surplus(+)/Deficit(-) of CET 1 Capital	15,932,333
Tier 1 Ratio	2,180.31%
Surplus(+)/Deficit(-) of Tier 1 Capital	15,789,833
Own Funds Ratio	2,180.31%
Surplus(+)/Deficit(-) of Total capital	15,602,333

An investment firm must have own funds consisting of the sum of its Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 own funds and must comply with the own funds requirements at all times. As of 31.12.2021, the company complies with these requirements.

In order to reduce the risks associated with the reliability of its services and the provision of its services, an investment firm is required to monitor compliance with capital adequacy standards, the level of own funds and capital adequacy as part of its internal assurance process (ICAAP). This assessment involves defining the number and types of key sources of risk for the investment firm and allocating the capital that the firm considers adequate to cover the risks. The process also includes stress testing in the form of a review of scenarios involving various adverse events. Such testing identifies the company's vulnerabilities and makes it possible to identify the capital required to cover financial security and potential risks.

The Estonian Financial Supervision Authority analyzes the process of ensuring the internal adequacy of capital every year by way of mandatory supervision. The investment firm has complied with the regulatory capital requirements. According to the SREP (*Supervisory Review and Evaluation Process*), an investment firm is required to maintain a minimum level of own funds and eligible liabilities on an individual basis of 17.06% of the total amount of all liabilities and own funds.

Note 3 Cash and bank balances

Cash and cash equivalents	**31.12.2021**	**31.12.2020**
Demand deposits EUR	1,949,566	1,183,845
Demand deposits, foreign currency	94,095	693,748
Term deposits (with a maturity of up to 3 months) EUR	3,196	3,196
Term deposits (with a maturity of up to 3 months) foreign currency	0	929,296
Total cash and cash equivalents	**2,046,857**	**2,810,085**

Note 4 Financial assets at fair value through profit or loss

According to management the bonds and other fixed-income securities are classified as financial assets at fair value through profit or loss.

The interest rate of bonds is 1,55%-2,85% and the currency is USD.

4.1. Bonds

	2021	2020
Start of period	**4,913,541**	**1,524,900**
Acquisition of bonds	4,546,992	5,343,138
Sale (redemption)	-9,625,869	-1,549,822
Receipt of interest on bonds	-510	-100,656
Interest income during the period	33,124	85,111
Currency exchange gains/loss	166,594	-357,984
Revaluation to fair value	-33,872	-31,146
End of period	**0**	**4,913,541**

4.2. Derivative instruments of currency exchange

	Assets / liability (at fair value)	
	2021	**2020**
Currency futures (EUR/USD)		
Start of period	**59,999**	**154,998**
Change of fair value	-276,586	994,363
Currency Exchange gain/loss	2,670	17,896
Gain/loss from closing of futures position	213,917	-1,107,258
End of period	**0**	**59,999**

The AS KIT Finance Europe uses currency futures to alleviate the exchange rate risk arising from open currency positions. The EUR/USD currency futures are re-evaluated on a daily basis in their fair value. All contracts are entered for a fixed term of 3 months.
Derivative instruments are reflected at fair value through profit or loss. The Investment Firm does not use hedge accounting.

Note 5 Loans granted and receivables from customers

These loans include leveraged short-term loans secured by securities with interest: base interest + 2% to 16.95%, depending on the currency of the loan and the customer's risk level.
According to the management, the fair value of the loans does not differ from their carrying amount.

	2021	2020
Loans granted	48,387,394	25,096,899
Other receivables	49,603	94,538
Impairment of loan receivables	-144,743	-108,060
Loans and receivables from customers	**48,292,254**	**25,083,377**

Loans and receivables from customers by currency	31.12.2021	31.12.2020
RUB	43,712,633	20,197,207
USD	3,920,594	2,544,072
HKD	346,982	2,123,629
GBP	157,486	112,579
others	154,559	105,890
Total	**48,292,254**	**25,083,377**

Loans granted	2021	2020
Loans to legal entities	145,769	99,010
Loans to private customers	48,241,625	24,997,889
Total	**48,387,394**	**25,096,899**

Movement of provision for impairment 2021	Loans 31.12.2021	Loans 31.12.2020
As of 01.01.2021	-108,060	-111,598
Total impairment of loan receivables	-31,138	-2,369
Net profit (loss) from assets revaluation	-5,545	5,907
As of 31.12.2021	**-144,743**	**-108,060**

Change in credit quality after recognition

	Loans and receivable gross amount 31.12.2021	Expected loss model impairment		
		Performing assets	Under-performing assets	Non-performing assets
Loans granted and receivables	48,436,997	48,357,279	31,763	47,955
Method of provision		0.15%	100%	100%
Effective interest rate		6.20%	-	-
Provision for credit losses (Loss given default)		80%	-	-
Discount amount	-144,743	-65,025	-31,763	-47,955

Note 6 Other receivables, accrued income and prepayments

	31.12.2021	31.12.2020
Other interest receivable	0	140
Other receivable	12	1,110
Total other receivables	**12**	**1,250**

Prepaid and refundable taxes (Note 7)	41,559	43,684
Prepayments	239,051	209,962
Total prepayments	**280,610**	**253,645**

Note 7 Taxes

	31.12.2021		31.12.2020	
	Prepayment	**Payable**	**Prepayment**	**Payment**
Value added tax	0	0	5,643	4
VAT paid abroad	5,244	0	2,177	0
Corporate income tax	0	471	0	265
Corporate income tax paid abroad	33,946	132,354	33,946	129,915
Personal income tax	0	9,737	0	11,062
Social tax	0	17,195	0	19,091
Funded pension premiums	0	698	0	949
Unemployment insurance premiums	0	672	0	876
Prepayment account	2,369	0	1,918	0
Other taxes abroad	0	652	0	554
Total taxes (Note 6)	**41,559**	**161,779**	**43,684**	**162,716**

Note 8 Net gain/loss on financial transactions

	2021	2020
Due to changes in the currency exchange rate:	93,647	-2,253,224
Currency conversion profit from costumer transactions	*35,297*	*94,479*
revaluation gain/loss	*58,350*	*-2,347,703*
Net gain/(-loss) from trade	-34,806	-26,654
Currency derivatives:	-276,586	994,363
at fair value	*-276,586*	*994,363*
Lease interest expenses	-7,184	-12,601
Net gain/(-loss) from financial assets at fair value	**-224,929**	**-1,298,116**

Note 9 Leases

Office space leased by KIT Finance Europe AS is recognized as a leased asset. The investment firm used an alternative borrowing rate of 5% for the initial application of IFRS 16.
The statement of financial position includes the followings assets and liabilities related to leases:

Rights of use

Balance 31.12.2019	**188,688**
Adjustments to IFRS 16	0
Balance 31.12.2020 (Note 10)	**160,385**

Accumulated depreciation 31.12.2020 (Note 10)	**28,303**
Adjustments to IFRS 16	0
Depreciation expense	37,738
Accumulated depreciation 31.12.2021 (Note 10)	**66,041**
Balance 31.12.2021 (Note 10)	**122,647**

Lease liabilities

Balance 31.12.2020 (Note 13)	**163,297**
Adjustments to IFRS 16	0
Repayments of a lease obligation	-42,552
Calculated interest expenses	7,184
Balance 31.12.2021 (Lisa 13)	**127,929**

The lease expense of the Investment Firm for the following periods from non-interruptible contracts as of 31.12.2021:

Within 12 months	40,066
Within 1-5 years	117,232
Total	**157,298**

Note 10 Property, plant and equipment

	Rent-of- use assets	Machinery and equipment	Other equipment	**Total**
Cost at 31.12.2020	**188,688**	**65,795**	**80,285**	**146,080**
Accumulated depreciation 31.12.2020	**28,303**	**54,961**	**76,973**	**160,237**
Cost at 31.12.2021	**188,688**	**65,795**	**80,285**	**146,080**
Calculated depreciation during current year (+)	37,738	4,047	1,245	**43,030**
Accumulated depreciation 31.12.2021	**66,041**	**59,008**	**78,218**	**203,267**
Carrying amount 31.12.2020	**160,385**	**10,834**	**3,312**	**174,531**
Carrying amount 31.12.2021	**122,647**	**6,787**	**2,067**	**131,501**

Note 11 Intangible assets

Cost at 31.12.2020	**13,269**
Acquisition	**0**
Cost at 31.12.2021	**13,269**
Accumulated depreciation at 31.12.2020	**12,622**

Calculated depreciation during current year (+)	**98**
Accumulated depreciation 31.12.2021	**12,720**
Carrying amount 31.12.2020	**647**
Carrying amount 31.12.2021	**549**

Note 12 Financial liabilities at fair value through profit or loss

Financial liabilities by currency	31.12.2021	31.12.2020
RUB	27,755,633	14,289,327
USD	3,655,025	0
HKD	249,903	2,120,526
AUD	130,406	0
GBP	124,154	111,682
Others	11,981	1,419
Total financial liabilities	**31,927,102**	**16,522,954**

The Investment Firm mainly keeps its funds in euros, transactions with clients result in liabilities in other currencies which are short term liabilities with a maturity of up to 1 month.

Note 13 Accrued liabilities

	31.12.2021	31.12.2020
Payables to employees	51,887	42,805
Accrued income	0	1,421
Lease liabilities (note 9)	127,929	163,297
Commission and fees liabilities	423	689
Interest liabilities	4,569	10,400
Other accrued liabilities	5,622	5,116
Accrued liabilities, total	**190,430**	**223,728**

Note 14 Equity

Share capital

	31.12.2021	31.12.2020
Share capital (EUR)	1 612 710	1 612 710
Number of shares	244 350	244 350
Par value of a share (EUR)	6,60	6,60

The share capital is fully paid in cash.
The minimum share capital of the Investment Firm is EUR 1 612 710 and the maximum authorized share capital of the Investment Firm is EUR 6 450 840, within which the share capital may be increased or reduced without changing the statute. Shareholders are entitled to receive dividends. Each share carries one vote at meetings of the Investment Firm.

Dividends

In 2021, no dividends were paid to shareholders.

Statutory capital reserve

According to the Commercial Code, the statutory reserve capital is 1/10 of the share capital.
Reserve capital can be used to cover losses, as well as to increase share capital. No payments may be made to shareholders from the reserve capital.

Note 15 Income tax

	2021	2020
Income tax paid abroad	248,713	129,915
Total income tax paid abroad	**248,713**	**129,915**

Contingent income tax liability

On the date of the 31st of December 2021, the Investment Firm's unrestricted equity amounted to EUR 16 653 245 (2020: EUR 14 578 901). At the balance sheet date, the Investment Firm could distribute a dividend of EUR 13 645 438 (2020: EUR 11 982 339). The payment of dividends from the taxed profits of the Cyprus branch is tax-free and it is possible to deduct the payment of dividends would result in income tax on dividends in the amount of EUR 3 007 807 (2020: EUR 2 596 562).

Note 16 Commissions and fees received

Geographical area (according to the location of the client)	2021	2020
European Union (Latvia, Cyprus, Estonia and others)	181,449	173,150
Rest of the World (Russia, Belarus, Kazakhstan and others)	1,439,866	1,354,496
Total	**1,621,315**	**1,527,646**

Activity	2021	2020
Commissions and fees received (EMTAK 66121)	1,621,315	1,527,646
Total	**1,621,315**	**1,527,646**

Note 17 Net interest income

Interest income	2021	2020
On demand deposits	10,499	28,899
On financial assets at fair value through profit or loss (Note 4)	33,124	85,111
Loans granted	4,519,233	2,398,519
Total	**4,562,856**	**2,512,529**

Interest expense	2021	2020
Other interest expenses	-987,995	-448,923

Total	**-987,995**	**-448,923**

Interest income on loans according to the location of the client	**2021**	**2020**
European Union (Latvia, Estonia and others)	18,091	18,532
Rest of the World (Russia, Ukraine and others)	4,501,142	2,379,987
Total	**4,519,233**	**2,398,519**

Note 18 Assets pledged as collateral

The Investment Firm has a MasterCard issued by AS SEB Bank. The credit limit is EUR 3 196 and the facility is secured with a security deposit of EUR 3 196.

Note 19 Labor Costs

	31.12.2021	**31.12.2020**
Wage cost	617,714	598,387
Social taxes	202,665	200,219
Other	10,890	11,806
Total labor costs	**831,269**	**810,412**
Average number of employees in full time equivalents	23	23
Average number of employees by type of employment:		
Person working under an employment contract	21	21
Member of management or control body	2	2

Note 20 Off-balance sheet assets and liabilities

AS KIT Finance Europe acts as an accounts manager. Therefore, it intermediates, has in its possession and is liable for following customer's funds:

Assets	**31.12.2021**	**31.12.2020**
Customers' cash	10,471,144	19,197,184
Customers' securities	289,326,747	274,080,377
Total	**299,797,891**	**293,277,561**

Liabilities	**31.12.2021**	**31.12.2020**
Customers' securities	91,893	332,968
Total	**91,893**	**332,968**

Securities are in their fair value.

Note 21 Transactions with related parties

Related party transactions include transactions with the parent and subsidiary companies, other group companies, shareholders, members of management, their close family members and companies controlled

by them. The Investment Firm's parent company is KIT Finance Broker (JSC). The provision of brokerage services to related parties is carried out on market terms
In the reporting period, the Investment Firm performed transactions with related parties as follows:

Transactions with related parties	**2021** Commissions and fees paid	**2021** Commissions and fees received	**2020** Commissions and fees paid	**2020** Commissions and fees received
Group´s parent	843,696	29,102	315,380	253,326
Other group companies	0	713,466	0	93,713
Other related parties	0	59	0	61
Total transactions	**843,696**	**742,627**	**315,380**	**347,100**

Interest income	**2021**	**2020**
Group´s parent	5,978	5,001
Other group companies	1,806,383	1,236,891
Total interest income	**1,812,361**	**1,241,892**

Interest expenses	**2021**	**2020**
Group´s parent	428,689	268,222
Other group companies	985,196	0
Total interest expenses	**1,413,885**	**268,222**

Balances with related parties:

Short-term receivables	**2021**	**2020**
Group´s parent	255	2,163
Other group companies	932	85,742
Total short-term receivables	**1,187**	**87,905**

Short-term payables	**2021**	**2020**
Group´s parent	293	273
Total short-term payables	**293**	**273**

Calculated fee	**31.12.2021**	**31.12.2020**
To the members of the Management Board and the Supervisory Board	236,806	248,029
Total calculated fee	**236,806**	**248,029**

Note 22 Events after the balance sheet date and going concern basis

The change in the geopolitical situation in February 2022 due to the Russian-Ukrainian conflict, as well as the imposition of restrictions on the financial sector and the strengthening of the EU and US sanctions regime will have a significant impact on the current activities of AS KIT Finance Europe. Many countries in the European Union and elsewhere have imposed sanctions on Russia, the scope of which is constantly changing. KFE's international client base includes many clients resident in Russia, which is why the Financial Supervision Authority currently restricts KFE from establishing new client relationships and providing them with investment services and ancillary investment services.

The financial sanctions imposed on Russia have a significant impact on KFE's provision of investment services. The Company treats this situation as a non-adjusting event after the reporting date. We are monitoring the situation closely and, based on our current position, this will have a significant negative impact on KFE's turnover and profits. KFE has sufficient own funds and customer assets held in the accounts to be able to meet its financial obligations in the course of its business during the current year, subject to the imposition of financial sanctions.

Due to the uncertain and rapidly changing situation, we do not consider it appropriate to make a quantitative assessment of the potential impact of the military conflict and international sanctions on the company and its financial performance.

Despite the uncertainty arising from the external situation, the Management Board estimates that the company will continue to operate in the short term.

SIGNATURES

The management board on April 18, 2022 authorized the management report and the annual financial statements of AS KIT Finance Europe.

The supervisory board of AS KIT Finance Europe has reviewed the annual report, including the management report and the annual financial statements, and the independent auditor's report and has approved their presentation to the general meeting of the shareholders.

This annual report is signed by members of the management board.

Name	Position	Signature	Date
Pavel Arhipov	Member of the Management Board		18.04.2022
Galina Ruban	Member of the Management Board		18.04.2022

Crowe DNW OÜ
Jõe 2B, Tallinn
10151, Estonia
Phone +372 68 25 750
Email dnw@crowe.ee
www crowe.ee

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KIT Finance Europe AS

Qualified Opinion

We have audited the financial statements of KIT Finance Europe AS (the Company), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Basis for Qualified Opinion

The company holds the customer's money and securities on the company's accounts of in the bank in which respect since March 3, 2022 initiated reorganisation due to insolvency. The company has not received confirmation from the executors of the reorganisation regarding the repayment of a cash balance in the amount of 745 thousand euros as of April 18, 2022. Due to the company's specific accounting settings, it is not possible to separate the part of the bank account balance that belongs to the company and the part that belongs to its customers as of the date of reorganisation. We were unable to obtain sufficient relevant audit evidence about the possible restrictions on the use of the above cash balance amounted to EUR 745 thousand, and therefore could not determine whether adjustments to these balance sheet items are required and what is the effect on the possible adjustments on Company's financial assets and disclosure in the financial statements.

The balance sheet item "Loans and receivables from customers" includes leveraged short-term loans secured by securities, but in 2022 part of the collateral was transferred to a customer account within the parent company based in Russia (hereinafter "brokerage account") because of the restrictions imposed by the Russian regulator. Non-residents of Russia are not allowed enter sales transactions with securities issued by Russian companies and make cross-border transfers. Part of the short-term loan is secured by securities of Russian issuers located in a brokerage account owned by the company.

As of the date of preparation of the annual report, the balance of loans secured by securities of issuers registered in Russia is 2.1 million euros. According to the management, the sale of these securities and the receipt of the proceeds from the company's brokerage account is certain, as the securities that were designated as collateral for the loans can be sold by the clients through an investment account opened in their own name with the Russian stockbroker. However, international sanctions and measures taken by credit institutions and regulators, and restrictions on issuers or intermediaries of securities, may make it difficult or impossible to make transactions with the securities and money transfers in Russia. Therefore, in our opinion, the credit risk of the above financial assets may have increased significantly from the time of their recognition, which requires a revaluation of losses and recognition of losses on the underperforming financial assets. We were unable to obtain sufficient appropriate audit evidence about the extent of possible losses and were therefore unable to determine whether adjustments to this balance sheet item are necessary and what the effect of those adjustments would be on the financial statements as at 31.12.2021.

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). 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 Code of Ethics for Professional Accountants (Estonia) (including Independence Standards), 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 qualified opinion

Material Uncertainty Related to Going Concern

We draw attention to the Note 22 to the financial statements, which shows that the Company operates in a highly uncertain political and economic environment in 2022, including imposed international sanctions and regulators restrictions. These events or conditions indicate the existence of significant uncertainties that could cast significant doubt upon the Company's ability to continue as a going concern. Our opinion is not modified in this regard.

Other Information

Management is responsible for the other information. The other information comprises the [information included in the management report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. It is also our responsibility to note whether information presented in the management report is in accordance with applicable legal requirements.
If, based on the work we have performed, we conclude that other information is materially misstated in relation to what is provided above, we are required to report that fact.
We note that information presented in the management report is in material respects in accordance with the financial statements and with applicable legal requirements.

As described in the "Basis for qualified opinion" section above, we were unable to obtain sufficient appropriate audit evidence about the effect of the restriction on the use of mentioned part of the cash and securities. Therefore, we are unable to conclude whether or not other information is materially misstated in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted in the European Union.and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

April 30th, 2022

On the belhalf of Crowe DNW OÜ

Vadim Dontševski
Certified public accountant

PROFIT ALLOCATION PROPOSAL

(EUR)

Retained earnings	14,578,901
Net profit for 2021	2,074,344
Total as at 31.12.2021:	***16,653,245***

The Management Board of AS KIT Finance Europe proposes to the General Meeting of Shareholders to distribute a profit in the amount of EUR 6,500,000.

LIST OF ACTIVITIES

Activity	**2021**
Commissions and fees received (EMTAK 66121)	**1,621,315**
Total	**1,621,315**

Activities planned for the new reporting year:

Securities and commodity contracts brokerage (EMTAK 66121)