

Company Registration No. 07601714 (England and Wales)

EC MARKETS GROUP LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



EC MARKETS GROUP LTD

COMPANY INFORMATION

| | |
|--------------------------|--|
| Director | L D Benarroch |
| Company number | 07601714 |
| Registered office | 2nd Floor Regis House 45 King William Street London UK EC4R 9AN |
| Auditor | Wilkins Kennedy Audit Services 2nd Floor Regis House 45 King William Street London United Kingdom EC4R 9AN |
| Business address | New Broad Street House 35 New Broad Street London, UK EC2M 1NH |

EC MARKETS GROUP LTD

CONTENTS

| | Page |
|-----------------------------------|-------------|
| Strategic report | 1 – 4 |
| Director's report | 5 – 6 |
| Independent auditor's report | 7 – 9 |
| Profit and loss account | 10 |
| Statement of comprehensive income | 11 |
| Balance sheet | 12 |
| Statement of changes in equity | 13 |
| Statement of cash flows | 14 |
| Notes to the financial statements | 15 – 23 |

EC MARKETS GROUP LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The director presents the strategic report for the year ended 31 December 2019.

Fair review of the business

The company is authorised and regulated by the Financial Conduct Authority in the capacity of a Match Principal Broker in CFDs and rolling spot forex for its client's trades. There was no trading activity during the period. The Firm intends to restart its trading during the middle of 2020.

Turnover for the period under review was \$NIL (2018: \$NIL). The company suspended trading with its clients at the end of September 2017.

During the period, the company made a gross loss of \$1,016,888 (2018: \$ 539,730 loss). This is as a result of the company not trading for whole of the reporting period.

The company's balance sheet as detailed on page 12 shows a net asset position with shareholder's funds amounting to \$753,965 (2018: \$2,323,805).

Capital management

The firm's objectives when managing capital are to safeguard the firm's ability to continue as a going concern and to ensure that it complies with the capital requirement set by the regulator and that there is adequate capital to meet margin requirements and ongoing working capital requirements. In order to maintain or adjust the capital structure, the firm may issue new shares. Capital is managed through budgeting, forecasting and quarterly entity capital reporting.

Principal risks and uncertainties

The firm's chief executive officer (CEO) is ultimately responsible for the overall risk management approach of the firm and for approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and implemented.

The firm has robust risk management policies in place to monitor and control risks and the principal risks are:

Market risk

All transactions executed by the company are on a matched principal basis. All completed transactions are systematically matched to client's orders. However, no order shall be executed if the client does not have sufficient collateral within their client account or is not confirmed by the executing counterparty. The company will therefore never enter into a transaction that will not be netted off to the client and as such the company is acting as a matched principal only. Since the company takes no market positions itself it therefore has no market risk.

Foreign Exchange Risk

The company derives its matched principal trading income in US Dollars (USD) while its clients derive their trading profit and loss in their margin account base currencies. This can cause a mismatch in income for the company due to exchange rate differences. The company attempts to reduce this risk by carrying regular conversion of excess cash to its accounting currency.

Credit risk

The firm has credit risk with banks with which it deposits funds and market counterparties. The firm sets limits as to the maximum exposure to credit risk. The firm's credit risk is also the risk that clients will cause a financial loss for the firm by failing to discharge their financial obligations to it.

Liquidity risk

Liquidity risk is the risk that the firm will encounter difficulties in meeting its financial obligations. The firm's approach to liquidity is to ensure that it will always have sufficient liquidity to meet its clients and brokers margin requirement and liabilities when they fall due. This is achieved by ongoing monitoring of the firm's available working capital as compared with the amounts due to clients and counterparties, as settled daily to their respective P&Ls.

EC MARKETS GROUP LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Description of Principal Risks and Uncertainties (continued)

Operational risk

The firm's operational risk is the risk that the firm will derive losses through inherent failures in its processes, personnel, technology or infrastructure or by external forces impacting on any one of these. These risks are addressed through regular assessment of the likelihood of these risks occurring as part of the firm's ongoing internal risk management procedures, including maintaining a fully up to date risk register and ICAAP, and contingency planning for dealing with such risks arising. The firm's ICAAP also details expected costs which would be associated with risk which cannot be fully mitigated, and these are taken into account when planning the firm's capital.

Economic risk

The director has considered the emerging impact of the COVID-19 virus on the business. Whilst it is too early to assess the full economic impact of the outbreak of the COVID-19 virus, the director envisages that it can have a variable effect. The director has modelled various scenarios and although a positive outcome can be created because the market volatility that occurs in times of uncertainty would normally result in an upturn in volumes and revenue there is, on the downside, a scenario in that there is an underlying negative effect on the health of the underlying world economy. The company expects that client acquisition and volume growth are likely to pick up slowly for a period of economic adjustment compare to its forecasted figures. In light of this analysis, and whilst taking into account the assurance of continued financial support by the firms' shareholders, the director has concluded that the company has access to sufficient reserves to operate as a going concern in this downmarket situation. The company's focus continues to be in the acquisition of professional clients and a newly established and experienced sales team should help to reduce the effects of such adverse market conditions. Furthermore, the company has a low headcount comprised of experienced staff who are able to operate the business as usual without constraint for an extended period of time.

Credit and liquidity risk

Sufficient current and liquid assets are available to meet current liabilities.

Future cash flows are also monitored on a regular basis and the company ensures that there is sufficient day to day cash to settle immediate liabilities and the growth of the business.

Currency risk

The company is exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than US Dollar. The company has exposure to Sterling (GBP) and Euro (EUR).

Interest rate risk

The company has interest bearing assets but no material bearing liabilities that would give rise to exposures to fluctuation in interest rates.

Future Developments

The company suspended its trading operations in September 2017. The holding company and its director have entered into an arrangement with a minority shareholder to start trading operations during the middle of 2020. In the medium term it may lead the strategic investor to increase its shareholding subject to regulatory approval by the competent authority.

During 1st August 2018 ESMA applied special measures to the sector in order to protect retail clients from losses by increasing margin requirements and negative equity protection for retail clients. ESMA has renewed these measures since then and are still in force. This may have an impact to the potential income from trading. Additionally, it is the Financial Conduct Authority view that any firm dealing with retail clients should become a full scope investment firm licence. For the medium term the company has entered into an agreement with counterparties to assume any negative balance protection for retail clients until the company is in a position to apply to the FCA for a Part 4A Variation of Permission to become a firm acting as principal for its clients. At the restart of its trading operations the company will place its focus acquiring mainly professional clients.

EC MARKETS GROUP LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Analysis based on Key Performance Indicators

The company uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial and the most significant of these are the key performance indicators (KPI's).

The key financial performance indicators are turnover, operating profit and net assets. These KPI's indicate the success of the company.

The key non-financial performance indicators are the number of clients and the notional volume traded by clients.

The key performance indicators for the year ended 31 December 2019, with comparatives for the year ended 31 December 2018 are set out below:

| | 2019 | 2018 |
|---------------------|--------------------|-------------|
| | \$ | \$ |
| Turnover | 0 | 0 |
| Operating loss | (1,016,888) | (539,730) |
| Net assets | 753,965 | 2,332,805 |
| Number of employees | 1 | 2 |

EC MARKETS GROUP LTD

STRATEGIC REPORT (CONTINUED)

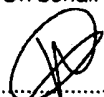
FOR THE YEAR ENDED 31 DECEMBER 2019

Statement by the director relating to his statutory duties under s172(1) Companies Act 2006

The Board of Directors, comprising of its sole director, considers that he has acted in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2019. The Board is developing a rolling business plan which is based around achieving a long-term goal of being regarded as an established and trustworthy financial brokerage operator, recognised for its operational excellence and for the service that we will provide to our customers.

- Our new team remains fundamental to achievement of our business plan. In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve our team's productivity and our individual employees' potential within the business.
- We will continue to engage with our new clients who will utilise our online trading facilities. Our aim is to ensure our product offering and execution quality meets and sometimes exceeds their requirements.
- As a newly enlivened business our aim is to onboard a number of core clients who will form the basis of our revenue growth whilst building out our sales networks in our key geographic regions. Our focus is on high value professional and retail customers looking for a premium service. We remain committed to being fair and transparent in our dealings with all our clients and business partners.
- The Board takes sustainability and environmental responsibility very seriously. Our environmental impact is limited to the use and disposal of equipment in our office and occasional business trips however, we aim to recycle all eligible office waste and ensure our travel arrangements are limited to purposeful journeys.
- The Board's intention is to behave responsibly and to ensure that the management team operates the business in a responsible manner, acting with the high standards of business conduct and good governance required of a business regulated by the Financial Conduct Authority. In doing so, we believe we will achieve our long-term business strategy and also further develop our reputation in our sector.
- The Board also seeks to behave in a responsible manner towards our shareholders and to treat them fairly and equally, in order that they too can benefit from the company achieving its long-term business strategy.

On behalf of the board



L D Benarroch

Director

28 April 2020

EC MARKETS GROUP LTD

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The director presents his annual report and financial statements for the year ended 31 December 2019.

Change of name

The company passed a special resolution on 28 January 2020 changing its name from GCM Prime Ltd to EC Markets Group Ltd.

Principal activities

The principal activity of the company in the year under review was that of an execution only brokerage of CFD and rolling spot forex authorised and regulated by Financial Conduct Authority.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

L D Benarroch

Results and dividends

No dividends will be distributed for the year ended 31 December 2019.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Auditor

The auditors, Wilkins Kennedy Audit Service, will be proposed for re-appointment at the forthcoming Annual General Meeting,

Statement of director's responsibilities

The director is responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

EC MARKETS GROUP LTD

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C (11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- financial instruments risks;
- fair review of business;
- future development.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The director has prepared the financial statements on a going concern basis which requires the director to have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

On behalf of the board



.....
L D Benarroch
Director

Date: 28 April 2020

EC MARKETS GROUP LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EC MARKETS GROUP LTD

Opinion

We have audited the financial statements of EC Markets Group Ltd (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 law. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

EC MARKETS GROUP LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EC MARKETS GROUP LTD

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

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

EC MARKETS GROUP LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EC MARKETS GROUP LTD

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 him 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Wilks Kennedy Audit Services

Robin Haslam (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy Audit Services

Statutory Auditor

2nd Floor
Regis House
45 King William Street
London
EC4R 9AN
United Kingdom

28 April 2020

EC MARKETS GROUP LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 \$ | 2018 \$ |
|--|-------|-------------|------------|
| Cost of sales | | (17,056) | (30,100) |
| Administrative expenses | | (284,832) | (508,630) |
| Exceptional item | 3 | (715,000) | - |
| Operating loss | 4 | (1,016,888) | (538,730) |
| Interest receivable and similar income | | 1,587 | 8,948 |
| Loss before taxation | | (1,015,301) | (529,782) |
| Tax on loss | 7 | 1,090 | - |
| Loss for the financial year | | (1,014,211) | (529,782) |

EC MARKETS GROUP LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019 | 2018 |
|---|--------------------|------------------|
| | \$ | \$ |
| Loss for the year | (1,014,211) | (529,782) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>(1,014,211)</u> | <u>(529,782)</u> |


EC MARKETS GROUP LTD

BALANCE SHEET

AS AT 31 DECEMBER 2019

| | Notes | 2019 \$ | \$ | 2018 \$ | \$ |
|---|-------|--------------------|----------------|--------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 5,747 | | 11,494 |
| Current assets | | | | | |
| Debtors | 11 | 1,467 | | 244,918 | |
| Cash at bank and in hand | | 832,402 | | 2,149,195 | |
| | | <u>833,869</u> | | <u>2,394,113</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(85,651)</u> | | <u>(81,802)</u> | |
| Net current assets | | | <u>748,218</u> | | <u>2,312,311</u> |
| Total assets less current liabilities | | | <u>753,965</u> | | <u>2,323,805</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 10,533,879 | | 11,089,508 | |
| Revaluation reserve | | (427,033) | | (427,033) | |
| Profit and loss reserves | | <u>(9,352,881)</u> | | <u>(8,338,670)</u> | |
| Total equity | | | <u>753,965</u> | | <u>2,323,805</u> |

The financial statements were approved and signed by the director and authorised for issue on 28 April 2020


L D Benarroch
Director

Company Registration No. 07601714

EC MARKETS GROUP LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | Share capital \$ | Revaluation reserve \$ | Profit and loss reserves \$ | Total \$ |
|--|-------|---------------------|---------------------------|--------------------------------|-------------|
| Balance at 1 January 2018 | | 11,089,508 | (427,033) | (7,808,888) | 2,853,587 |
| Year ended 31 December 2018: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (529,782) | (529,782) |
| Balance at 31 December 2018 | | 11,089,508 | (427,033) | (8,338,670) | 2,323,805 |
| Year ended 31 December 2019: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (1,014,211) | (1,014,211) |
| Redemption of shares | 13 | (555,629) | - | - | (555,629) |
| Balance at 31 December 2019 | | 10,533,879 | (427,033) | (9,352,881) | 753,965 |

EC MARKETS GROUP LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 \$ | \$ | 2018 \$ | \$ |
|---|-------|--------------------|----|------------------|----|
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 20 | (763,841) | | (755,313) | |
| Income taxes refunded/(paid) | | 1,090 | | - | |
| Net cash outflow from operating activities | | (762,751) | | (755,313) | |
| Investing activities | | | | | |
| Interest received | | 1,587 | | 8,948 | |
| Net cash generated from investing activities | | 1,587 | | 8,948 | |
| Financing activities | | | | | |
| Redemption of shares | | (555,629) | | - | |
| Net cash used in financing activities | | (555,629) | | - | |
| Net decrease in cash and cash equivalents | | (1,316,793) | | (746,365) | |
| Cash and cash equivalents at beginning of year | | 2,149,195 | | 2,895,560 | |
| Cash and cash equivalents at end of year | | 832,402 | | 2,149,195 | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 832,402 | | 2,149,195 | |

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

EC Markets Group Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 2nd Floor Regis House, 45 King William Street, London, UK, EC4R 9AN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The presentational currency of the company is US Dollar. In determining the functional currency, the Director took account of the fact that revenues, profits and cash flows are primarily generated in US Dollar, and are expected to remain principally denominated in the US Dollar in the future.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company's principal activity during the year continued to be that of an execution only brokerage of CFD and rolling spot forex authorised and regulated by the FCA.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

The director has also considered the potential emerging impact of the COVID-19 virus on the business. While it is too early to predict the full economic effect of the outbreak of the COVID-19 virus on the United Kingdom, the director has modelled downside scenarios for the business based on information to hand at this time. This analysis has given the director comfort that the business has sufficient resources to continue to operate as a going concern in a downturn market. The Company is monitoring the economic situation daily to allow it to take any necessary corrective action in a timely manner if required.

As a consequence of these factors and other evidence available to the director in respect of the company's trading prospects, the Director is satisfied that the Company has sufficient resources to meet its liabilities as they fall due, for a period of at least twelve months from the date of signing of these financial statements. Accordingly, the financial statements are prepared on a going concern basis and do not include any adjustments which would be necessary if this basis of preparation was inappropriate.

1.3 Intangible fixed assets - goodwill

Goodwill, being the amount paid in connection with acquisition of a business operation in July 2016, was subject to an annual amortisation and impairment review. As of 31 December 2017, the Company undertook a review of the carrying value of the goodwill and determined that an impairment charge of \$463,112 was required to write down the goodwill to its recoverable value of \$Nil. As of 31 December 2019, the Company carried out a review of the carrying value of the goodwill. This resulted in the goodwill being disposed off.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---------------------|-------------|
| Plant and equipment | 25% on cost |
|---------------------|-------------|

The company has adopted to policy not to depreciate in the year of purchase of the asset, however full depreciation will be provided in the year of disposal.

1.5 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less from the date of acquisition and bank overdrafts.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.7 Retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

1.8 Leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Foreign exchange

Assets and liabilities in foreign currencies are translated into dollar at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into dollars at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

1.10 Client money

The company holds money on behalf of clients in accordance with the Client Asset (CASS) rules of the Financial Conduct Authority. Client monies are classified as cash and cash equivalents in accordance with the relevant regulatory requirements. The amounts held on behalf of clients at the balance sheet date is stated in the notes to the financial statements.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In the view of the director there were no critical judgements and assumptions made in preparation of these financial statements.

3 Exceptional item

| | 2019 | 2018 |
|------------|---------|------|
| | \$ | \$ |
| Settlement | 715,000 | - |

In the prior accounting period, two entities under common control, Avenica Inc and Gallant Capital Markets Ltd, having filed for relief under Chapter 11 of the US Bankruptcy Code, entered claims against the company. During the year, whilst not accepting liability for the claims, the company made a full and final settlement of \$715,000 in relation to the claims.

4 Operating loss

| | 2019 | 2018 |
|---|--------|--------|
| | \$ | \$ |
| Operating loss for the year is stated after charging: | | |
| Exchange losses | 919 | 7,174 |
| Fees payable to the company's auditor for the audit of the company's financial statements | 7,133 | 8,000 |
| Fees payable to the company's auditors for non-audit services | 7,107 | 23,267 |
| Depreciation of owned tangible fixed assets | 5,747 | 5,749 |
| Operating lease charges | 13,150 | 21,158 |

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating loss

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to \$919 (2018 - \$7,174).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2019 Number | 2018 Number |
|------------|----------------|----------------|
| Management | <u>1</u> | <u>2</u> |

Their aggregate remuneration comprised:

| | 2019 \$ | 2018 \$ |
|-----------------------|----------------|----------------|
| Wages and salaries | 124,597 | 213,358 |
| Social security costs | 16,083 | 23,631 |
| Pension costs | <u>21,131</u> | <u>23,775</u> |
| | <u>161,811</u> | <u>260,764</u> |

6 Director's remuneration

| | 2019 \$ | 2018 \$ |
|---|----------------|----------------|
| Remuneration for qualifying services | 124,597 | 146,366 |
| Company pension contributions to defined contribution schemes | <u>21,131</u> | <u>21,971</u> |
| | <u>145,728</u> | <u>168,337</u> |

7 Taxation

| | 2019 \$ | 2018 \$ |
|--|----------------|------------|
| Current tax | | |
| UK corporation tax on profits for the current period | <u>(1,090)</u> | <u>-</u> |

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Taxation

The actual (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

| | 2019 \$ | 2018 \$ |
|--|-------------|------------|
| Loss before taxation | (1,015,301) | (529,782) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (192,907) | (100,659) |
| Tax effect of expenses that are not deductible in determining taxable profit | 135,854 | - |
| Adjustments in respect of prior years | (1,090) | - |
| Permanent capital allowances in excess of depreciation | 1,092 | (155,451) |
| Tax losses carried forward | 55,961 | 256,110 |
| Taxation credit for the year | (1,090) | - |

Deferred tax asset of \$468,300 (2018: \$418,600) has arisen from the losses recorded in the current and previous periods. The balance is not recognised in the balance sheet due to the uncertainty of future profits.

8 Pillar 3 disclosures

In accordance with FCA regulations, the Pillar 3 disclosures are available on the Company's website at <http://www.ecmarkets.co.uk>.

9 Intangible fixed assets

| | Goodwill \$ |
|------------------------------------|----------------|
| Cost | |
| At 1 January 2019 | 579,839 |
| Disposals | (579,839) |
| At 31 December 2019 | - |
| Amortisation and impairment | |
| At 1 January 2019 | 579,839 |
| Disposals | (579,839) |
| At 31 December 2019 | - |
| Carrying amount | |
| At 31 December 2019 | - |
| At 31 December 2018 | - |

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

| | Plant and equipment \$ |
|--|------------------------------|
| Cost | |
| At 1 January 2019 and 31 December 2019 | 22,989 |
| Depreciation and impairment | |
| At 1 January 2019 | 11,495 |
| Depreciation charged in the year | 5,747 |
| At 31 December 2019 | 17,242 |
| Carrying amount | |
| At 31 December 2019 | 5,747 |
| At 31 December 2018 | 11,494 |

11 Debtors

| | 2019 \$ | 2018 \$ |
|---|--------------|----------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | - | 232,532 |
| Other debtors | 1,078 | 6,335 |
| Prepayments and accrued income | 389 | 6,051 |
| | <u>1,467</u> | <u>244,918</u> |

12 Creditors: amounts falling due within one year

| | 2019 \$ | 2018 \$ |
|------------------------------|---------------|---------------|
| Trade creditors | 722 | 14,141 |
| Taxation and social security | 3,462 | - |
| Other creditors | 68,198 | - |
| Accruals and deferred income | 13,269 | 67,661 |
| | <u>85,651</u> | <u>81,802</u> |

13 Share capital

| | 2019 \$ | 2018 \$ |
|--|-------------------|-------------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 7,290,877 (2018: 7,740,877) Ordinary shares of £1 each | <u>10,533,879</u> | <u>11,089,508</u> |

On 26 September 2019, the Company redeemed 450,000 ordinary shares of a nominal value of £1 each.

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Events after the reporting date

The COVID-19 pandemic is a non-adjusting event as at 31 December 2019 for the purposes of the attached financial statements. The director has assessed the impact of COVID-19 on the company's ability to continue as a going concern.

Whilst the company expects to have access to the necessary resources and support through the crisis and beyond, given the inherent uncertainties, it is not practicable at this time to determine the future impact of COVID-19 on the company or to provide a quantitative estimate of this impact.

The director continue to consider the potential implications of the pandemic; however, at this stage it has not had a material impact on any of the balances in the company's financial statements.

Subsequent to the balance sheet date and prior to the approval of these financial statements, the Company issued 3,000 ordinary shares of a nominal value of £1 each at a premium of £49 per share.

15 Related party transactions

Transactions with related parties

A short term loan of \$75,000 (2018: \$225,000) was advanced to Prime Trade Holdings Corp., the ultimate parent company. Interest of \$Nil (2018: \$7,532) was charged on the loan. During the year the balance of \$307,532 (2018: \$Nil) was repaid by a way of offsetting against a share redemption undertaken in the year. Included within debtors is a balance of \$Nil (2018: \$232,532) owed by Prime Trade Holdings Corp.

Included within creditors is a balance of \$Nil (2018: \$22,500) owed to entities under control of S Buccellato, the ultimate controlling party. A balance of \$22,500 (2018: \$Nil) due to the entities under common control was written off during the year.

In the prior accounting period, two entities under common control, Avenica Inc and Gallant Capital Markets Ltd, having filed for relief under Chapter 11 of the US Bankruptcy Code, entered claims against the company. During the year, a settlement of \$715,000 (2018: \$Nil) was paid in relation to the claims.

16 Directors' transactions

During the year, an advance of \$6,387 was made to the director. This balance was repaid in full during the year.

17 Ultimate controlling party

The ultimate controlling party is S Buccellato by virtue of his shareholdings in Prime Trade Holdings Corp., the ultimate parent company, incorporated in the United States of America.

18 Client Money Held

As at 31 December 2019, the company held client money amounting to \$97,056 (2018: \$97,119). This balance is not reflected in the financial statement of the company.

EC MARKETS GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Cash absorbed by operations

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$ | \$ |
| Loss for the year after tax | (1,014,211) | (529,782) |
| Adjustments for: | | |
| Taxation credited | (1,090) | - |
| Investment income | (1,587) | (8,948) |
| Depreciation and impairment of tangible fixed assets | 5,747 | 5,749 |
| Movements in working capital: | | |
| Decrease/(increase) in debtors | (243,451) | (204,381) |
| Increase/(decrease) in creditors | 3,849 | (17,951) |
| Cash absorbed by operations | 763,841 | 755,313 |