

Company Registration No. 09779913 (England and Wales)

**MERITKAPITAL UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# MERITKAPITAL UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr P Ioannides Ms P Ioannides Ms E Rtishcheva
<b>Company number</b>	09779913
<b>Registered office</b>	110 Mono Tower Penn Street London England N1 5FE
<b>Auditor</b>	Goodman Jones LLP 29-30 Fitzroy Square London W1T 6LQ
<b>Business address</b>	110 Mono Tower Penn Street London England N1 5FE

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# **MERITKAPITAL UK LIMITED**

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# **MERITKAPITAL UK LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **Introduction**

The directors present the strategic report for the year ended 31 December 2021.

### **Overview**

The company is authorised and regulated by the Financial Conduct Authority ("the FCA") and its principal activities are financial intermediation services. MeritKapital UK Limited specializes in fixed income brokerage of securities within the global fixed income marketplace. It has a focus within the emerging markets space of Latin America, and MENA but particularly within that of Russia and the CIS.

### **Business review**

The financial year 2021 marked a disappointing year for MeritKapital UK Limited (MK UK) as the company recorded a lower gross revenue of \$100,259 (-79% YOY) marking a loss of circa \$770,000. The gross revenue continued to be driven by an equal split between intermediation and risk-taking activities and the FX risk continued to be mitigated with a USD reporting currency in USD where revenue is generated in USD. The lower revenues were a result of weaker prop trading book performance given the market conditions whilst the intermediation proceeds remained constant.

The year 2021 had initiated with a good start as the COVID pandemic seemed to be in control across most of the world as the unified vaccination drive led by governments continued. The company's portfolio reported a COVID reopening and steeper core-curve theme, especially as the Q4 2020 outlook and Q1 of 2021 seemed to indicate that trend. However, the global economic picture took a very different route as the Delta virus and later the Omicron variant came into play and much of the forecasted dynamics could not have anticipated. Additionally, the company held some rates positions which were a carry on from the previous financial year ended 2020 that were offloaded in the volatile environment in Q1 2021, and so adversely affected the overall reported P&L results for the current year.

### **Future developments**

Looking forward to 2022, although the COVID situation is much contained in the developed world and is a phenomenon of the past, China still seems to be grappling with outbreaks and zero tolerance containments via strict lockdowns. As such, global supply chain shortages continue to cause production bottlenecks and maintain prevailing inflationary pressures.

Simultaneously, the major event to date in 2022 has been the Russian-Ukrainian war that has rattled the global commodity markets and heightened prices of soft commodities including agricultural products. As such, the Central Bank rhetoric of transient inflation that had been iterated for much of last year has completely reverted this year, whereby Central bank leaders are grappling to catch up with inflation, especially as global interest rates are at a very low base. The markets have thus been roiled by volatility, especially the fixed income markets, where the trend previously has seen consistently higher yields. The Nasdaq, which is highly sensitive to yields is lower for the quarter by -9%. However, analysts perceive that the market should calm somewhat towards the end of the second quarter as the US Fed's focus achieves hikes of 1.5% and as the rhetoric shifts from inflation to growth.

The company aims to rebalance its book to end the year in a leaner position, while maintaining a focus on growing the company's risk-free intermediation business.

### **Key performance indicators**

The company's key financial performance indicators were as follows:

Revenue	\$100,259
Operating loss	\$766,385

# **MERITKAPITAL UK LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **Business conduct and management processes**

As a regulated entity, the company is focused on ensuring a high level of conduct and integrity at all times. The company has implemented stringent compliance processes and has an experienced fund management. Management review compliance arrangements on a regular basis to ensure the company has the correct procedures and required expertise in place.

Details of the company's Pillar 3 disclosures required under Chapter 11 of the Financial Conducts Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms are available upon request from the company's registered office.

The company is required to report on its capital adequacy quarterly and has to maintain at all times a minimum total capital adequacy ratio which is set at 8%. The company continuously monitors the fair value calculations, forecast and actual cash flows, and cost budgets so that to ensure that the carrying level of company's own funds and consequently the Capital Adequacy ratio meet the regulatory requirements at all times.

### **Principle risks and uncertainties**

The directors are responsible for determining the level of risk acceptable to the company and for putting into place processes to mitigate these risks as appropriate. This is subject to regular review. In particular, the directors have identified the ongoing impact of COVID-19 and the Russian-Ukrainian war as key risks to monitor.

The company considers the following as principal risks:

#### **i. Liquidity risk**

Management consider liquidity to only be a risk in extreme market conditions and/or due to failures by designated counterparties that the company is associated with. In order to mitigate this management are able to increase the capital, review cash flows day-to-day under different market scenarios, monitor daily the company's exposures and/or available margins with its liquidity providers and regularly review the credit ratings or counterparties.

#### **ii. Credit risk**

The company quantifies the risk of default of its credit institutions to be considered quite moderate, based on the relevant calculations in the company's capital requirements. Moreover, the company approximates that the credit event incidents may occur occasionally - every 1 to 5 years.

#### **iii. Foreign exchange risk**

Management mitigate the risk of foreign exchange by ensuring that trades are matched off in the same currencies and that, where possible, transactions occur in the company's functional currency, being US Dollars.

The company's policy towards risk management is to take an active approach to identify and manage financial risks and ensure that adequate risk management systems exists within the company such that risks are identified and appropriately managed. Financial asset and liability transactions are to be structured to enable the achievement of planned outcomes, reduce volatility and provide increased certainty.

This report was approved by the board and signed on its behalf.

On behalf of the board

Ms P Ioannides

**Director**

13 June 2022

# **MERITKAPITAL UK LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors present their annual report and financial statements for the year ended 31 December 2021.

### **Principal activities**

The principal activity of the company continued to be that of the provision of fixed income and equities brokerage of securities and trading of financial instruments on its own book. The company is authorised and regulated by the Financial Conduct Authority ("FCA").

### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Directors**

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

Mr P Ioannides  
Ms P Ioannides  
Ms E Rtishcheva

### **Auditor**

The auditor, Goodman Jones LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **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 directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### **Going concern**

The Covid-19 crisis continues to disrupt the global economy in 2021. The two main lines of business of the company continue despite the considerable impact on the general economic climate that underpins the investment portfolio held by the company.

The intermediation business generally performs in periods of volatility while the firm's risk-taking business is mostly focused on the fixed income side and specifically in sovereign papers that are supported by global central bank programs. In the current period, trading activity levels have deliberately reduced compared to previous years, with much of the reported income arising from dividends received. The reported loss for the year arises primarily due to adverse foreign exchange movements relating to investments held at fair value through profit and loss as at the Balance Sheet date. The main overhead costs of the company are well managed as rental dues are negotiated on a flexible, short term basis while the cost of labour is largely linked to a performance-based formula.

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

**MERITKAPITAL UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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On behalf of the board

Ms P Ioannides

**Director**

13 June 2022

## **MERITKAPITAL UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs), as adopted by the European Union, 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 directors are 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. They are 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.



# **MERITKAPITAL UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF MERITKAPITAL UK LIMITED**

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#### **Opinion**

We have audited the financial statements of Meritkapital UK Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## **MERITKAPITAL UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERITKAPITAL UK LIMITED**

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#### **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 directors' 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

## **MERITKAPITAL UK LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MERITKAPITAL UK LIMITED**

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Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which noncompliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

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

#### **Use of our report**

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

**Esther Wood (Senior Statutory Auditor)**  
**For and on behalf of Goodman Jones LLP**

13 June 2022

**Chartered Accountants**  
**Statutory Auditor**

29-30 Fitzroy Square  
London  
W1T 6LQ

## MERITKAPITAL UK LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$	2020 \$
Revenue	3	100,259	474,810
Administrative expenses		(475,827)	(330,364)
<b>Operating (loss)/profit</b>	<b>5</b>	<b>(375,568)</b>	<b>144,446</b>
Investment income	8	(390,538)	40,247
Other gains and losses	9	(279)	587
<b>(Loss)/profit before taxation</b>		<b>(766,385)</b>	<b>185,280</b>
Tax on (loss)/profit	10	-	-
<b>(Loss)/profit for the financial year</b>		<b>(766,385)</b>	<b>185,280</b>

The income statement has been prepared on the basis that all operations are continuing operations.

# MERITKAPITAL UK LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 \$	\$	2020 \$	\$
<b>Non-current assets</b>					
Property, plant and equipment	11		2,983		-
<b>Current assets</b>					
Trade and other receivables	13	985,278		117,040	
Investments	14	2,484,266		-	
Cash and cash equivalents		309,969		1,819,732	
		<u>3,779,513</u>		<u>1,936,772</u>	
<b>Current liabilities</b>	15	<u>(2,651,076)</u>		<u>(38,967)</u>	
<b>Net current assets</b>			1,128,437		1,897,805
<b>Net assets</b>			<u>1,131,420</u>		<u>1,897,805</u>
<b>Equity</b>					
Called up share capital	17	2,500,000		2,500,000	
Other reserves		(173,113)		(173,113)	
Retained earnings		<u>(1,195,467)</u>		<u>(429,082)</u>	
<b>Total equity</b>			<u>1,131,420</u>		<u>1,897,805</u>

The financial statements were approved by the board of directors and authorised for issue on 13 June 2022 and are signed on its behalf by:

Ms P Ioannides

**Director**

**Company Registration No. 09779913**

## MERITKAPITAL UK LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Other reserves	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 January 2020	2,500,000	(173,114)	(614,362)	1,712,524
Period ended 31 December 2020:				
Profit and total comprehensive income for the period	-	-	185,280	185,280
Balance at 31 December 2020	2,500,000	(173,114)	(429,086)	1,897,804
Year ended 31 December 2021:				
Loss and total comprehensive income for the year	-	-	(766,385)	(766,385)
Balance at 31 December 2021	2,500,000	(173,114)	(1,195,467)	1,131,420

# MERITKAPITAL UK LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$	\$	2020 \$	\$
<b>Cash flows from operating activities</b>					
Cash generated from operations	23	1,368,493		186,722	
<b>Investing activities</b>					
Purchase of property, plant and equipment		(3,173)		-	
Purchase of investments		(2,484,266)		-	
Proceeds on disposal of investments		-		1,024,355	
Receipts arising from loans made		-		2,765	
Interest received		-		40,247	
Other income received from investments		(390,538)		-	
<b>Net cash (used in)/generated from investing activities</b>		(2,877,977)		1,067,367	
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,509,484)		1,254,089	
Cash and cash equivalents at beginning of year		1,819,732		565,060	
Effect of foreign exchange rates		(279)		583	
<b>Cash and cash equivalents at end of year</b>		309,969		1,819,732	

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Meritkapital UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 110 Mono Tower, Penn Street, London, England, N1 5FE.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee, endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

#### 1.2 Going concern

The Covid-19 crisis continues to disrupt the global economy in 2021. The two main lines of business of the company continue despite the considerable impact on the general economic climate that underpins the investment portfolio held by the company.

The intermediation business generally performs in periods of volatility while the firm's risk-taking business is mostly focused on the fixed income side and specifically in sovereign papers that are supported by global central bank programs. In the current period, trading activity levels have deliberately reduced compared to previous years, with much of the reported income arising from dividends received. The reported loss for the year arises primarily due to adverse foreign exchange movements relating to investments held at fair value through profit and loss as at the Balance Sheet date. The main overhead costs of the company are well managed as rental dues are negotiated on a flexible, short term basis while the cost of labour is largely linked to a performance-based formula.

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

#### 1.3 Revenue

Revenue from brokerage services is recognised on a trade date basis and in accordance with the substance of the relevant agreements.

Revenue from gains on financial instruments is recognised on a trade date basis and in accordance with the substance of the relevant agreements. Profits or losses from the sale of financial instruments represent the difference between the net proceeds and the carrying amount of the investments sold.

Adviser charges on other business is recognised on the completion of relevant documentation to effect the completion of the transaction.

#### 1.4 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

Computers	Straight line over three years
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# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by the company. The carrying amount of these assets approximates to their fair value.

#### 1.7 Financial instruments

##### *Fair value measurement of financial instruments*

Financial assets held at fair value through profit or loss are valued using a market approach based on observable data for identical instruments.

##### *Basic financial assets*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

All receivables are regularly reviewed and a provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction. Bad debts are written off as incurred.

##### *Other financial assets*

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The company has no financial assets classified at fair value through profit or loss or as available for sale.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### *Impairment of financial assets*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### *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.

##### *Classification of financial liabilities*

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through the Statement of Comprehensive Income, the transaction costs directly attributable to the acquisition of the financial liabilities are also recognised.

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **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 which do not meet the conditions 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.

### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

### 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# **MERITKAPITAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **1 Accounting policies**

**(Continued)**

#### **1.11 Leases**

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

#### **1.12 Foreign exchange**

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the date of the transaction. At each subsequent reporting period monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the end of the financial period. Foreign exchange differences are taken to the Statement of Comprehensive Income in the period in which they arise.

#### **1.13 Adoption of new and revised standards**

##### **New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, The company has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU:

IFRS 17 Insurance Contracts

IAS 1 Presentation of Financial statements, Classification of Liabilities as Current or Non-current

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

### **2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are 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.

The policies have been applied consistently in preparing the accounts in both current and prior years.

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Revenue

	2021	2020
	\$	\$
<b>Revenue analysed by class of business</b>		
Deals on own account	46,688	474,775
Brokerage and custody income	845	-
Dividend income	1,799	-
Net gain on financial instruments and other income	50,927	35
	<u>100,259</u>	<u>474,810</u>
	<u><u>100,259</u></u>	<u><u>474,810</u></u>
	2021	2020
	\$	\$
<b>Revenue analysed by geographical market</b>		
United Kingdom	270	-
Rest of World	99,989	474,810
	<u>100,259</u>	<u>474,810</u>
	<u><u>100,259</u></u>	<u><u>474,810</u></u>
	2021	2020
	\$	\$
<b>Other significant revenue</b>		
Interest income	-	40,247
	<u>-</u>	<u>40,247</u>
	<u><u>-</u></u>	<u><u>40,247</u></u>

### 4 Auditor's remuneration

	2021	2020
	\$	\$
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	11,336	11,260
	<u>11,336</u>	<u>11,260</u>
<b>For other services</b>		
All other non-audit services	2,898	2,252
	<u>2,898</u>	<u>2,252</u>
	<u><u>2,898</u></u>	<u><u>2,252</u></u>

### 5 Operating (loss)/profit

	2021	2020
	\$	\$
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	23,624	(48,825)
Depreciation of owned property, plant and equipment	190	60
	<u>23,814</u>	<u>(48,765)</u>
	<u><u>23,814</u></u>	<u><u>(48,765)</u></u>

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 \$23,624 (2020 - \$48,825).

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Employees

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

	2021 Number	2020 Number
Traders	2	2
Directors	1	1
Total	3	3

Their aggregate remuneration comprised:

	2021 \$	2020 \$
Wages and salaries	212,557	174,323
Social security costs	23,361	18,688
Pension costs	2,620	1,946
	238,538	194,957

Key management personnel are considered to be directors of the company. During the year, total directors' emoluments were \$66,382 (2020: \$49,256)

### 7 Directors' remuneration

	2021 \$	2020 \$
Remuneration for qualifying services	66,382	49,256

### 8 Investment income

	2021 \$	2020 \$
Interest income		
Other interest income	-	40,247
Other income from investments		
Losses on financial instruments measured at fair value through profit or loss	(390,538)	-

### 9 Other gains and losses

	2021 \$	2020 \$
Fair value gains/(losses) on financial instruments		
Exchange differences arising on hedged item in cash flow hedge	(279)	587

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Taxation

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

	2021 \$	2020 \$
(Loss)/profit before taxation	(766,385)	185,280
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(145,613)	35,203
Tax effect of utilisation of tax losses not previously recognised	-	(35,203)
Unutilised tax losses carried forward	145,613	-
Taxation charge for the year	-	-

The company has losses carried forward for corporation tax of \$1,183,700 (2020: \$436,025).

### 11 Property, plant and equipment

	Computers \$
<b>Cost</b>	
At 1 January 2021	7,947
Additions	3,173
Disposals	(7,284)
At 31 December 2021	3,836
<b>Depreciation and impairment</b>	
At 1 January 2021	7,947
Depreciation charged in the year	190
Eliminated in respect of disposals	(7,284)
At 31 December 2021	853
<b>Carrying amount</b>	
At 31 December 2021	2,983
At 31 December 2020	-

### 12 Financial instruments

	2021 \$	2020 \$
<b>Carrying amount of financial assets</b>		
Instruments measured at fair value through profit or loss	2,484,266	-

# MERITKAPITAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Trade and other receivables

	2021	2020
	\$	\$
Amounts falling due within one year:		
Trade receivables	82,668	82,668
Other receivables	902,610	34,372
	<u>985,278</u>	<u>117,040</u>

### 14 Current asset investments

	2021	2020
	\$	\$
Unlisted investments	2,484,266	-
	<u>2,484,266</u>	<u>-</u>

### 15 Current liabilities

	2021	2020
	\$	\$
Trade payables	33,102	13,240
Other payables	2,603,740	8,038
Accruals and deferred income	14,234	17,689
	<u>2,651,076</u>	<u>38,967</u>

### 16 Retirement benefit schemes

	2021	2020
	\$	\$
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	2,620	1,946
	<u>2,620</u>	<u>1,946</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 17 Share capital

	2021	2020	2021	2020
	Number	Number	\$	\$
Ordinary share capital Issued and fully paid				
Ordinary of \$1 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

### 18 Financial commitments, guarantees and contingent liabilities

At the reporting date, the company had no financial commitments other than those reported within these statements. The company was not liable to any guarantees and there were no contingent liabilities.



## MERITKAPITAL UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

#### 19 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	\$	\$
Within one year	4,043	16,378

#### 20 Related party transactions

At the year end, amounts totalling \$31,240 (2020: \$7,908) was owed to P Ioannides.

MeritKapital Limited is a company incorporated in Cyprus and under common control with MeritKapital UK Limited. As at 31 December 2021 Meritkapital UK Limited had a total receivable of \$101,785 (2020: \$116,910) from Meritkapital Limited of which \$82,667 (2020: \$82,667) is of a trade nature and \$19,117 (2020: \$34,243) an intercompany balance. Additionally Meritkapital UK Limited had a total coupons receivable balance due from Meritkapital Limited of \$17,827 (2020: \$nil).

MeritAfriKa Ltd is a company incorporated in Nigeria and under common control with MeritKapital UK Limited. At the year end, the company was owed \$152 (2020: \$nil) by MeritAfriKa Ltd.

#### 21 Ultimate controlling party

There is no single controlling party.

#### 22 Analysis of changes in net funds

	1 January 2021	Cash flows	31 December 2021
	\$	\$	\$
Cash at bank and in hand	1,819,732	(1,509,763)	309,969

## MERITKAPITAL UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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23 Cash generated from operations

	2021 \$	2020 \$
(Loss)/profit for the year after tax	(766,385)	185,280
<b>Adjustments for:</b>		
Investment income	390,538	(40,247)
Depreciation and impairment of property, plant and equipment	190	60
Other gains and losses	279	(587)
<b>Movements in working capital:</b>		
(Increase)/decrease in trade and other receivables	(868,238)	31,340
Increase in trade and other payables	2,612,109	10,876
<b>Cash generated from operations</b>	<u>1,368,493</u>	<u>186,722</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.