

**STSS (Malta) Limited**

Annual report and financial statements

For the year ended 31 December 2020

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**STSS (Malta) Limited**  
**Directors' report**  
**For the year ended 31 December 2020**

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**Accounts**

The directors present their report and audited financial statements for the year ended 31 December 2020.

**Principal activity**

STSS (Malta) Limited is a digital assets issuing entity and the participant of STASIS ecosystem. The aim of the Company is to develop the legal gateway between traditional and digital markets.

**Results**

The results for the period are stated on page 3

**Dividends**

During the period the company has made interim dividend distribution of EUR 204,388 (2019: Nil)

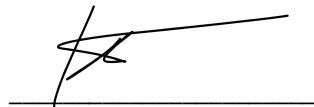
**Directors**

The directors of the company are:

Grigory Klumov

Under the provisions of the company's Memorandum and Articles of Association, the present directors continue in office.

By order of the Board



Grigory Klumov  
Director

Portomaso Tower Annex  
Level 7, Vjal Portomaso  
St Julians STJ 4011  
Malta

13 September 2021

Statement of directors' responsibilities

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The Companies Act, 1995 (Cap. 386 of the Laws of Malta) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

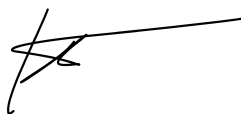
In preparing the financial statements, the directors should:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable the directors to ensure that the financial statements comply with the Companies Act, 1995 (Cap 386).

This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The directors 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.



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Grigory Klumov  
Director

STSS (Malta) Limited

Statement of comprehensive income  
For the year ended 31 December 2020

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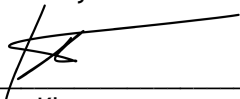
		2020	2019
	Notes	EUR	EUR
Revenue	5	-	-
Administrative expenses	6	(24,042)	(74,482)
Finance income	7	478,323	-
Finance costs	7	(1,983)	-
Profit/(loss) before taxation		452,298	(74,482)
Taxation	8	(158,304)	-
Profit/(loss) after tax		293,994	(74,482)

The notes on pages 7 to 19 form part of the financial statements. Audit report page 20 to 22.

**STSS (Malta) Limited**  
**Statement of financial position**  
**As at 31 December 2020**

		31-Dec-20	31-Dec-19
	Notes	EUR	EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Prepayments for intangible assets		28,690	24,724
Intangible assets	9	5,064	5,064
Total non-current assets		<u>33,754</u>	<u>29,788</u>
<b>Current Assets</b>			
Trade and other receivables	10	478,323	-
Cash and cash equivalents	11	32,014,444	31,979,207
Total current assets		<u>32,492,767</u>	<u>31,979,207</u>
<b>Total assets</b>		<u><u>32,526,521</u></u>	<u><u>32,008,995</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	1,200	1,200
Capital contribution	13	48,800	-
Accumulated losses	13	-	(89,606)
Funds for EURS emission	14	31,979,207	31,979,207
Total equity		<u>32,029,207</u>	<u>31,890,801</u>
<b>Liabilities: amounts due within one year</b>			
Tax payable		158,304	-
Trade and other payables	15	339,010	118,194
Total current liabilities		<u>497,314</u>	<u>118,194</u>
<b>Total equity and liabilities</b>		<u><u>32,526,521</u></u>	<u><u>32,008,995</u></u>

These financial statements were approved by the Board of directors on 13 September 2021 and signed on its behalf by:

  
 \_\_\_\_\_  
 Grigory Klumov  
 Director

The notes on pages 7 to 19 form part of the financial statements. Audit report page 20 to 22.

**STSS (Malta) Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2020**

		2020	2019
	Note	EUR	EUR
<b>Cash flows from operating activities</b>			
Operating profit/(loss)		452,298	(74,482)
<b>Movement in working capital</b>			
Trade and other receivables		(478,323)	-
Trade and other payables		(2,123)	25,719
<b>Cash flows from operations</b>		<u>(28,148)</u>	<u>(48,763)</u>
Tax paid		-	-
<b>Net cash generated from/(used in) operating activities</b>		<u>(28,148)</u>	<u>(48,763)</u>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		<u>(3,966)</u>	<u>(19,182)</u>
<b>Net cash used in investing activities</b>		<u>(3,966)</u>	<u>(19,182)</u>
<b>Cash flows from financing activities</b>			
Capital contribution		48,800	-
Financing from parent company		18,551	67,945
Funds received for EURS emission		<u>-</u>	<u>1,000,000</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>67,351</u>	<u>1,067,945</u>
<b>Net movement in cash and cash equivalents</b>		35,237	1,000,000
Cash and cash equivalents at the beginning of the period		<u>31,979,207</u>	<u>30,979,207</u>
<b>Cash and cash equivalents at the end of period</b>	11	<u><u>32,014,444</u></u>	<u><u>31,979,207</u></u>

The notes on pages 7 to 19 form part of the financial statements. Audit report page 20 to 22.

**STSS (Malta) Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2020**

	Share capital	Capital contribution	Funds received for EURS emission	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>At 1 January 2019</b>	1,200	-	30,979,207	(15,124)	30,965,283
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(74,482)	(74,482)
<b>EURS token emission</b>					
Funds received for the year	-	-	1,000,000	-	1,000,000
<b>At 31 December 2019</b>	1,200	-	31,979,207	(89,606)	31,890,801
<b>Comprehensive income</b>					
Profit for the year	-	-	-	293,994	293,994
<b>Transactions with owners</b>					
Capital contribution	-	48,800	-	-	48,800
Dividend distribution	-	-	-	(204,388)	(204,388)
<b>EURS token emission</b>					
Funds received for the year	-	-	-	-	-
<b>At 31 December 2020</b>	1,200	48,800	31,979,207	-	32,029,207

The notes on pages 7 to 19 form part of the financial statements. Audit report page 20 to 22.



## 1. Basis of preparation and details of operations

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in EUR, which is also the Company's functional currency.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations and as adopted by EU (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

STSS (Malta) Limited is a digital assets issuing entity and the participant of STASIS ecosystem. The aim of the Company is to develop the legal gateway between traditional and digital markets.

EURS is the pilot project of the company. EURS is a "stablecoin": virtual financial asset designed to digitally mirror the euro. It is fully convertible to its traditional equivalent on a 1:1 basis. Its concept was designed with assistance of global legal firms from Europe and Hong Kong and received recognition from Maltese government.

The company understand the possible consequences for the future of stablecoins, included in the Joint Statements by the European Council and the European Commission (dated 05/12/2019) but still consider EURS as a legal instrument. This position could be changed in the future if and when more detailed legislation is issued in EU.

EURS is fully exchangeable to traditional currency with Stasis ecosystem and backed by reserves. STASIS has a transparent and regulatory compliant network of partners that fully integrates the process of transferring capital on- and off-chain.

The business mission of the Company is to provide clients a full pack of services that solve massive issues they face today: a need for a legal gateway to digital assets market, excessive volatility of cryptocurrencies, and a weak risk management infrastructure.

The EURS target audience captures all cryptocurrency participants. The tokenholders are categorized into two wide groups: market intermediaries and investors. Market intermediaries – banks, exchanges, OTCs, payment systems – provide infrastructure solutions and liquidity services to investors.

STSS (Malta) Limited only deals with liquidity providers and institutional investors, utilizing B2B-type of business scheme. Every entity that deals directly with the Company has to pass the internal KYC/AML procedures.

## 2. Significant accounting policies

A STSS (Malta) Limited has applied the same accounting policies and methods of computation in its financial statements in accordance with standards were in force in the year 2017, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020 and adopted first time in these annual financial statements.

**STSS (Malta) Limited**

**Notes to the financial statements  
For the year ended 31 December 2020**

**2.1. Changes in accounting policies**

*a) New standards, interpretations and amendments effective from 1 January 2020*

The following new standards, amendments and interpretations are effective for the first time in these financial statements, but none have had a material effect on the company:

	Issued on	Effective from
Amendments to References to the Conceptual Frameworks in IFRS Standards	29/03/2018	01/01/2020
Amendments to IAS 1 and IAS 8: Definition of Material	31/10/2018	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26/09/2019	01/01/2020
Amendments to IFRS 3: Business Combinations	22/10/2018	01/01/2020

The applications of these new standards and amendments has had no impact on the disclosures or amounts recognized in the company's financial statements.

*b) New standards, interpretations and amendments as adopted by EU but not yet effective*

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company's future financial statements:

	Issued on	Effective from
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	27/08/2020	01/01/2021
Amendments to IFRS 4: Deferral of IFRS 9	25/06/2020	01/01/2021
Amendments to IFRS 16: COVID-related Rent Concessions	28/05/2020	01/06/2020
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	14/05/2020	01/01/2022

*c) New standards, interpretations and amendments issued by IASB but not yet adopted by EU*

	Issued on	Effective from
IFRS 17 Insurance Contracts, including amendments	18/05/2017	01/01/2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23/01/2020	01/01/2023
Amendments to IAS 1: Disclosure of Accounting Policies	12/02/2021	01/01/2023
Amendments to IAS 8: Definition of Accounting Estimates	12/02/2021	01/01/2023
Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30/06/2021	31/03/2021	01/04/2021
Amendments to IAS 12: Assets and Liabilities Arising from Single Transaction	07/05/2021	01/01/2023

The company has not early adopted all these revisions to the requirements of IFRSs and the company's management is of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

*d) New standards, interpretations and amendments issued by IASB but not adopted by EU*

- IFRS 14 Regulatory Deferral Accounts (issued on 30/01/2014, effective from the year beginning 01/01/2016) - European Commission has decided not to endorse the standard
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between Investor and its Associate or Joint Venture (issued on 11/09/2014, effective from the year beginning 01/01/2016) - postponed indefinitely by European Commission
- 

## **2.2. Revenue recognition**

Revenue in respect of service arrangements is recognised in the accounting period in which the services are rendered provided the amount of revenue can be measured reliably and it is probable that the company will receive any consideration. The majority of the Company's revenue is to be recognised from the transaction and subscription fees. The performance obligations are straight forward and transaction price is fixed in the contracts.

Interest income is recognised on an accruals basis.

## **2.3. Foreign currencies**

The financial information of the company are presented in its functional currency, the Euro (€), being the currency of the primary economic environment in which the company operates.

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates ("functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

## **2.4. Financial assets**

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

### *Fair value through profit or loss*

The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

### *Amortised cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction

costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. No provision is recognised in the current period under review.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

#### *Fair value through other comprehensive income*

The strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

There are no financial assets recognised in this category during the period under review.

## **2.5. Financial liabilities**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **2.6. Share capital and dividends**

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company ordinary shares are classified as equity instruments.

Dividend distribution to the company's shareholders is recognised as liability in the company's financial information in the period in which the dividends are approved by the company's shareholders.

## **2.7. Intangible assets**

Intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The company decided to recognise trademark related to stablecoin project as intangible asset with indefinite economic life. The trademarks are tested for impairment on the annual basis.

### 3. Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

### 4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### *(i) Principal financial instruments*

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Loan and borrowings

STSS (Malta) Limited

Notes to the financial statements  
For the year ended 31 December 2020

*(ii) Financial instruments by category*

**Financial assets**

	Fair value through profit or loss		Amortised cost		Fair value through Other comprehensive income	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Cash and cash equivalents	-	-	32,014,444	30,979,207	-	-
Trade and other receivables	-	-	478,323	-	-	-
<b>Total financial assets</b>	-	-	32,492,767	31,979,207	-	-

**Financial liabilities**

	Fair value through profit or loss		Amortised cost	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Trade and other payables	-	-	339,010	118,194
Loans and borrowings	-	-	-	-
<b>Total financial liabilities</b>	-	-	339,010	118,194

*(iii) Financial instruments not measured at fair value*

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

*(iv) Financial instruments measured at fair value*

There is no financial instruments measured at fair value

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The board receives reports from the company's chief financial officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The reports must be submitted at least once a quarter, or more frequently, but not more than once a month, upon the board's request.

# STSS (Malta) Limited

## Notes to the financial statements For the year ended 31 December 2020

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from transaction income from institutional customers. It is Company policy to assess the credit risk of new customers before entering contracts.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Transactions limits are established for each customer, which represents the maximum open amount without requiring approval from the Board.

The Board determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the turnover and trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. There were no credit risk allocation during the period under review since all the transaction fees were waived to support the distribution of stablecoin.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, all new and existing relationship are individually re-assessed by the Board.

### **Cash in bank and short-term deposits**

A significant amount of cash is held with the following institutions:

31 December 2020				
	E-wallet EUR	Investment account EUR	Rating	Comments
EXT Ltd	-	28,200,000	N/a	Investment Services company licensed by Cyprus SEC, license # 165/12
XNT Ltd	-	3,688,207	N/a	Investment Services company licensed by MFSA, Malta), Category 2 license
UAB NexPay	91,000	-	N/a	EMI, authorised by Central Bank of Lithuania, license LB 000428
Finductive Ltd	35,237	-	N/a	Financial Institution (payment service) licenced by MFSA, Malta
Note 11	<u>126,237</u>	<u>30,888,207</u>		

STSS (Malta) Limited

Notes to the financial statements  
For the year ended 31 December 2020

31 December 2019

	E-wallet EUR	Investment account EUR	Rating	Comments
EXT Ltd	-	28,200,000	N/a	Investment Services company licensed by Cyprus SEC, license # 165/12
XNT Ltd	-	3,688,207	N/a	Investment Services company licensed by MFSA, Malta), Category 2 license
UAB NexPay	91,000	-	N/a	EMI, authorised by Central Bank of Lithuania, license LB 000428
Note 11	<u>91,000</u>	<u>30,888,207</u>		

The Board monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss. If the credit ratings of counterparties are not available, the Board uses the ratings for the country

31 December 2020

	E-wallet EUR	Investment account EUR	Country Rating	Comments
Cyprus	-	28,200,000	Ba1	Moody. Outlook - stable
Malta	35,237	3,688,207	A2	Moody. Outlook - negative
Lithuania	91,000	-	A2	Moody. Outlook - stable
Note 11	<u>126,237</u>	<u>31,888,207</u>		

31 December 2019

	E-wallet EUR	Investment account EUR	Country Rating	Comments
Cyprus	-	28,200,000	Ba2	Moody. Outlook - stable
Malta	-	3,688,207	A2	Moody. Outlook - stable
Lithuania	91,000	-	A3	Moody. Outlook - positive
Note 11	<u>91,000</u>	<u>31,888,207</u>		



*Market risk*

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risks). On the opinion of the Board, the market risk for the Company's financial instrument is immaterial.

*Interest rate risk*

The Company is exposed to cash flow interest rate risk from long-term borrowings at variable rate. The Company analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions.

During the period under review, the Company had no borrowings at variable rate.

*Foreign exchange risk*

Foreign exchange risk arises when Company enter into transactions denominated in a currency other than their functional currency. The Company's policy is, where possible, to allow Company to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

During the period under review, all the Company's assets and liabilities were denominated and settled in the Company's functional currency.

# STSS (Malta) Limited

## Notes to the financial statements For the year ended 31 December 2020

### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company also has a full support from its shareholders in case of extra working capital needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 Months EUR	Between 3 and 12 months EUR	Between 1 and 2 year EUR	Between 2 and 5 years EUR	Over 5 years EUR
<b>At 31 December 2020</b>					
Trade and other Payables	339,010	-	-	-	-
Loans and borrowings	-	-	-	-	-
<b>Total</b>	<b>339,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Up to 3 Months EUR	Between 3 and 12 months EUR	Between 1 and 2 year EUR	Between 2 and 5 years EUR	Over 5 years EUR
<b>At 31 December 2019</b>					
Trade and other Payables	118,194	-	-	-	-
Loans and borrowings	-	-	-	-	-
<b>Total</b>	<b>118,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Capital Disclosures

Due to the nature of its activity, the Company monitors "Funds for EURS emission" which comprises component of equity related to the stablecoin issued.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide a support to the stablecoin community with backing up the total amount of issued tokens with equivalent cash in high liquidity instruments.

## STSS (Malta) Limited

### Notes to the financial statements For the year ended 31 December 2020

#### 5. Revenue

STSS (Malta) Limited utilizes several revenue streams including subscription fees for token issuance, transaction fees for utilizing STASIS' delegated transfer option, and income from reserve deposits. All the fee related to the emission of EURS were waived during the period under review to support the distribution of the stablecoin.

#### 6. Expenses by nature

	2020	2019
	EUR	EUR
Audit fee	18,998	49,796
Registration fee	100	100
Legal fee	3,986	21,260
Professional fee	958	3,326
Other expenses	-	-
	<u>24,042</u>	<u>74,482</u>

#### 7. Finance income/(costs)

	2020	2019
	EUR	EUR
Interest income from investment account	478,323	-
Bank charges and forex differences	(1,983)	-
	<u>476,340</u>	<u>-</u>

#### 8. Taxation

The company has accrued tax profit during the period under review. Current tax charge is recognised in the statement of comprehensive income at 35% of the accounting profit: EUR 158,304 (2019: Nil). Under the local tax regulations, no trading losses can be brought forward from the previous years.

#### 9. Intangible assets

The company has applied for registration of trademarks related to the stablecoin project. In the year 2019, the company has also applied for VFA license, the amount of professional fees paid is recognised as Prepayment for Intangible Assets. The corresponding intangible assets are recognised at cost with indefinite useful economic life.

**STSS (Malta) Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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**10. Trade and other receivables**

	31-Dec-20 EUR	31-Dec-19 EUR
Interest receivables from investment account	<u>47,832</u>	<u>-</u>

**11. Cash and cash equivalents**

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

	31-Dec-20 EUR	31-Dec-19 EUR
Cash on investment accounts	31,979,207	31,979,207
Cash on operating accounts	<u>35,237</u>	<u>-</u>
	<u>32,014,444</u>	<u>31,979,207</u>

**12. Share capital**

	31-Dec-20 EUR	31-Dec-19 EUR
<i>Authorised</i>		
1,200 ordinary shares of EUR 1 each	<u>1,200</u>	<u>1,200</u>
<i>Issued, allotted and fully paid</i>		
1,200 ordinary shares of EUR 1 each	<u>1,200</u>	<u>1,200</u>

**13. Other equity**

Retained earnings represent accumulated profits or (losses) minus declared dividend.

Capital contribution represents the amount contributed by the parent company as a share capital but no shares were issued yet as at 31 December 2020.

**14. Funds for EURS emission**

Represent reserves received from institutional investors to back the emission of EURS stablecoin. As per agreements with the investors, the distribution of these funds is at the discretion of the Company.

**STSS (Malta) Limited**

**Notes to the financial statements  
For the year ended 31 December 2020**

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**15. Trade and other payables**

	<b>31-Dec-20</b>	<b>31-Dec-19</b>
	<b>EUR</b>	<b>EUR</b>
Other payables	-	5,683
Amounts payables to related parties	37,958	37,958
Amounts payables to parent company	292,084	67,945
Accruals	8,968	6,608
	<u>339,010</u>	<u>118,194</u>

**16. Related party transactions**

During the period under review, none of the total amount of funds were received from the directors of the company (2019: 0.0%). The corresponding amounts of EURS stablecoin were distributed to the directors. Account payables with related parties are recognised in the statement of financial position as at 31 December 2020, see Note 15 for details.

**17. Statutory information**

STSS (Malta) Limited was incorporated in Malta (C 86272) on 11 May 2019. The parent company is STSS Limited (015541V) registered in Isle of Man. The ultimate parent is STSS Foundation, registered in Isle of Man and managed by its council. In the opinion of the directors, there is no ultimate controlling party of the group.

**18. Events after the reporting date**

The recent outbreak of COVID-19 Pandemic is affecting most sectors of the global economy, but the size and impact of these events on the Company are yet unknown. Currently, Director is of the opinion that that the Company will not be facing a going concern issue, and estimation of the possible effect on the business of the Company is minimal.

## INDEPENDENT AUDITOR'S REPORT To the Shareholders of STSS (Malta) Limited

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

We have audited the financial statements of STSS (Malta) Limited («the Company») set out on pages 3 to 19 which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

### *Opinion*

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of the Company's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the directors' report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT  
To the Shareholders of STSS (Malta) Limited  
(continued)

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*Responsibilities of the Directors*

As explained more fully in the Statements of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with EU IFRS, 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 has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

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

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

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

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

- However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Report on Other Legal and Regulatory Requirements*

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- The information given in the directors' report is not consistent with the financial statements.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO Malta  
Certified Public Accountants  
Registered Audit Firm

It-Torri Street  
Msida MSD 1824  
Malta

13 September 2021



This report has been signed  
for and on behalf of  
**BDO MALTA**  
by Sam Spiridonov (Partner)