

# **UAB FMĮ Orion Securities**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR 2017,  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION  
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Orion Securities FMI UAB

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Orion Securities FMI UAB, registered in the Republic of Lithuania (hereinafter the Company), which comprise the statement of financial position as of 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). 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 requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Key audit matter

#### How the matter was addressed in the audit

##### ***Assessment of accounts receivable and loans recoverability***

As of 31 December 2017 the Company had current trade accounts receivable balance amounting to EUR 294 thousand reported in the statement of financial position as disclosed in Note 11 of the financial statements, and EUR 562 thousand current and non-current loans as disclosed in Note 14. The determination as to whether trade receivables and loans are collectable involves management judgment.

We performed the following procedures, among others: we assessed the valuation of trade receivables as well as loans and impairment recorded by the Company by reviewing the management assumptions used to calculate the impairment. Our procedures included a review of invoices and contracts as well as related payment terms in order to identify overdue receivables and loans (based on contractual maturities data) and clerical accuracy of the calculation of the recorded impairment.



## Key audit matter

Specific factors management considers include: the sufficiency and the quality of collateral, age of the balance, specific circumstances related to the customer (such as general credibility, financial situation, ownership structure and credibility and any other relevant information), recent historical payment patterns as well as data on subsequent collections.

This matter is significant to our audit due to materiality of the amounts as these receivables and loans constitute approximately 28% of the total assets of the Company in the statement of financial position as of 31 December 2017 and high level of management judgment involved in the allowance calculation.

### ***Recognition and measurement of financial instruments***

As of 31 December 2017 the Company had financial assets measured at fair value through profit and loss amounting to EUR 1,016 thousand and financial instruments measured at amortized cost less impairment amounting to EUR 562 thousand as reported in the statement of financial position and disclosed in Notes 12 and 14 of the financial statements.

The fair value of the majority of financial instruments is based on quoted prices in active markets or observable inputs (level I and level II in fair value hierarchy). Some financial instruments such as fixed interest rate provided loans and repo contracts are accounted for at amortized cost using the effective interest rate method.

This matter is significant to our audit due to materiality of the amounts, as these financial instruments comprise approximately 52% of the total assets of the Company in the statement of financial position as of 31 December 2017 and the measurement as of the year-end is performed manually and involves a high number of small positions and therefore the higher risk of error exists.

## How the matter was addressed in the audit

We reviewed the management's assessment of individual material overdue receivables and loans balances by testing the subsequent payments received and examination of other information as available to support individual facts and circumstances underlying the management judgment on individual allowance for receivables and loans balances (including consideration of the fair value of collaterals, in-house made valuations and financial statements of the debtors).

For the sample of loans and accounts receivable, we have also obtained independent confirmations, reviewed subsequent payments or performed other procedures to ascertain the existence as relevant. Furthermore, we have considered the adequacy of the disclosures in the financial statements in this area.

We performed the following procedures, among others: we understood the process of designating classification and valuating of financial assets within the Company (Note: Accounting principles/ Financial assets). We have considered methods and inputs used for the measurement of instruments other than equity shares, i.e. which are not based on directly observable quoted prices in active markets.

For the sample of financial instruments positions we have recalculated the carrying value reported as of the year-end based on financial instrument type and relevant accounting policy requirements: 1) we have obtained third party confirmations on quantity and existence of certain positions, and 2) we multiplied the quantity of respective financial instrument by market price or other observable input. We have compared the results of our procedures to the respective financial instruments carrying amounts as reported in the statement of financial position of the Company as of 31 December 2017. We have also reviewed a sample of transactions just before and after the year-end by tracing accounting record data to supporting evidences to ensure that transactions are recorded at settlement date (accounting policy choice) as well as considered liquidity of certain financial instruments by observing movement (buy and sell transactions) for the observable (listed) items during the selected period of time.

We have considered whether financial instruments accounted for at amortized cost are measured and disclosed in the financial statements as described in the accounting policy. Furthermore, we have considered adequacy of the disclosures in the financial statements in this area.



## **Other information**

Other information consists of the information included in the Company's Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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.

We also have to evaluate, if the financial information included in the Company's Annual Report corresponds to the financial statements for the same financial year and if the Company's Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- ▶ The financial information included in the Company's Annual Report corresponds to the financial information included in the financial statements for the same year; and
- ▶ The Company's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

## **Responsibilities of management and those charged with governance for the financial statements**

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting 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 skepticism throughout the audit. We also:

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

modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

► Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

*Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

#### **Appointment and approval of the auditor**

In accordance with the decision made by the Company's shareholder in 2015 we have been chosen to carry out the audit of the Company's financial statements for the year ended 31 December 2015. Afterwards our appointment to carry out the audit of Company's financial statements in accordance with the decision made by the shareholder has been renewed annually and the period of total uninterrupted engagement is 3 years.

#### **Consistency with the audit report submitted to the Company**

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report, which we have submitted to the Company.

#### **Non audit services**

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided any other services except for the audit of the financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335



Asta Štreimikienė  
Auditor's licence  
No. 000382

26 March 2018



**ANNUAL REPORT**

(All amounts are in Euros unless otherwise stated)

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## THE HEAD'S WORD

The year 2017 provided global market with geopolitical stability after 2016, which was full of the unexpected, yet the investment environment remained hard to predict. Despite a particularly rapid share market growth in 2017, investors should more closely evaluate emerging risks. Although increasing financial market fluctuations enhance liquidity that often opens up new investment opportunities, the investment risk also grows. Thus investors' decisions in 2018 should be based on rational arguments and analysis.

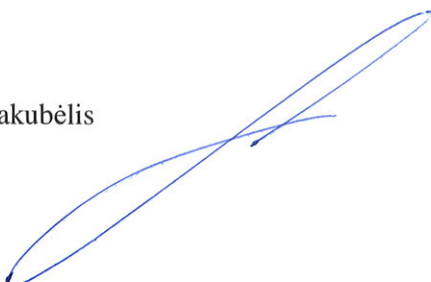
Last year, global economy demonstrated a more rapid growth than expected. With a bigger growth of the investment flow and enlivened international trade, the global GDP rose to 3.7% in 2017. However, the response of central banks was different. Although inflation fluctuated at a more or less the same level both in the United States of America and Europe – around 2% in the USA and slightly below 2% in Europe, the Federal Reserve increased the interest rate three times, whereas the European Central Bank kept on boosting economy. The ECB not only did not increase the interest rate, but also pursued a quantitative easing policy by expanding the asset purchase programme.

The international political arena, compared to the previous year, gained stability and revealed a more conservative side, yet remained organic and tense. Populist forces failed to win presidential elections in France as well as elections to the German and Dutch parliaments; however, the German Christian Democratic Union led by Angela Merkel evidently faced a harder time. Meanwhile, although Donald Trump, inaugurated as the US President at the beginning of the year, did not build the promised great wall on the border with Mexico, he did not demonstrate openness in politics – he negotiated both over introduction of new import tariffs and the change of the terms and conditions of the North American Free Trade Agreement (NAFTA), thus threatening free international trade. On the other hand, reduction of the corporation tax at the end of the year should have a positive effect on the largest global economy. With profitability of companies increasing, they will have better possibilities to finance new development projects.

As there were no big surprises in the overall geopolitical and economic situation, capital markets have good conditions to grow in 2018 as well. In 2017, share markets recorded one of the biggest growths over the recent decade. At the end of the year such a rapid growth enhanced the fear of investors regarding the development of a potential share bubble. Inflation in the United States of America draws particular attention – if the price growth persists, the Federal Reserve will keep on increasing the interest rates. This may lead to several consequences: share markets may record correction, yet on the other hand, while the shares are becoming cheaper, the fixed income securities market, which has been stagnant for a while, may recover, since with the increasing risk of share market overestimation or falling share prices, investors typically choose more secure asset classes.

The year 2017 will also be remembered for a particularly rapid growth in the value of cryptocurrencies such as Bitcoin or Ethereum. It is definitely difficult or almost impossible to say their actual, fundamental, value, yet the cryptocurrency market is new and very dynamic, and it is highly dependent on political and regulatory decisions. Great variability of value might be acceptable for investors who tolerate high risk; however, this market remains particularly risky and unsuitable for inexperienced market players due to the absence of supervisory mechanisms and limited transparency. Financial institutions so far refrain from active involvement, yet possibilities of investing in instruments related to these means have been expanding.

Sincerely,  
Director Alius Jakubėlis





## ANNUAL REPORT

(All amounts are in Euros unless otherwise stated)

### Competitive environment (situation of the financial brokerage sector) in 2017

Lithuanian financial brokerage companies indicators, 31 December 2017 (thousands, EUR)*					
No	Financial brokerage company	Assets	Net profit (loss)	Capital adequacy ratio	Trustworthy customer assets
1	UAB FMĮ Orion securities	3,052	335	25.14	925,596
2	UAB FMĮ INVL Finasta	597	323	21.33	61,738
3	Steponkus & co FMĮ AB	6,095	-112	9.95	16,663
4	UAB financial brokerage company Kapitalo srautai	257	13	91.84	8,703
5	Evernord, UAB	659	503	10.00	-
6	UAB FMĮ DV INVEST	134	-6	55.50	66
7	UAB Myriad capital	183	77	48.31	-
<b>Total</b>		<b>10,977</b>	<b>1,133</b>		<b>1,012,766</b>

\*Unaudited data, thus the indicators presented in the table may differ from the data presented in these financial statements.

Source: Key performance indicators of financial brokerage houses ([https://www.lb.lt/uploads/documents/files/musu-veikla/finansu-rinkos-dalyviu-prieziura/finansu-sektoriai/finansu-maklerio-imones/2017\\_m\\_iv\\_ketv\\_fini\\_veiklos\\_rodikliai.pdf](https://www.lb.lt/uploads/documents/files/musu-veikla/finansu-rinkos-dalyviu-prieziura/finansu-sektoriai/finansu-maklerio-imones/2017_m_iv_ketv_fini_veiklos_rodikliai.pdf))

In 2017, according to the data from the Bank of Lithuania, seven financial brokerage houses operated in Lithuania, with total assets of EUR 11 million. In 2017, financial brokerage houses earned a total net profit of EUR 1.1 million, whereas the total clients' assets owned by the right of trust amounted to EUR 1 billion. Orion Securities took the leading position according to the clients' assets owned by the right of trust and was second according to own assets.

### MAJOR EVENTS IN 2017

1. Orion Securities established a branch in Oslo which will start activities in 2018.
2. Since November, Orion Securities has provided its clients with an online real-time possibility to trade in US stock from the S&P500 list through client zone access.
3. The company has implemented the requirements of the amended Law on the Prevention of Money Laundering and Terrorist Financing adopted in June 2017.
4. Orion Securities has been actively preparing for the implementation of the requirements of the EU Directive on Markets in Financial Instruments (MiFID II).

## ABOUT THE COMPANY

*UAB FMĮ Orion Securities* is the largest non-banking financial company in Lithuania, engaged in securities brokerage as well as corporate finance, private banking, and finance management services for private and legal persons. We have been operating in the Lithuanian market since 1993 (as UAB FMĮ Baltijos Vertybiniai Popieriai). Orion Securities is a member of Vilnius, Riga, Tallinn and Warsaw stock exchanges. Orion Securities is a licensed brokerage firm which is supervised by the Bank of Lithuania.

The company was established on 12 August 1993 in Vilnius and named Baltijos Vertybiniai Popieriai. On 3 November 1997, the company was re-incorporated in the Ministry of Economy of the Republic of Lithuania under the legal entity code 122033915.

On 12 January 2007, the private limited brokerage company Baltijos Vertybiniai Popieriai incorporated a new company named UAB FMĮ Orion Securities (hereinafter referred to as the Company) and registered its new legal address at A. Tumėno Str. 4, Vilnius, with the Register of Legal Entities, Vilnius Branch.

UAB FMĮ Orion Securities is a private limited company, holding financial brokerage house A category license No. A106 issued by the Securities Commission of the Republic of Lithuania, entitling the Company to engage in the following activities:

- accept and transfer orders;
- execute orders at the expense of clients;
- execute orders at its own expense;
- manage portfolios of financial instruments (FI);
- provide recommendations on investment;
- offer financial instruments with the obligation to distribute them;
- offer financial instruments without the obligation to distribute them.

The Company is providing the following additional services:

- distribute units of investment funds;
- secure, account and manage financial instruments;
- grant loans intended to allow the client to carry out transactions with financial instruments, if the grantor is associated with these transactions;
- carry out an analysis and evaluation of companies.

The Company is also entitled to engage in the following activities:

1. Safe custody services.
2. Advice to undertakings on capital structure, industrial strategy and related matters as well as advice and services relating to mergers, restructuring and acquisition.
3. Other services relating to the stock issue distribution under an agreement with the issuer.

Background:

In December 2017, the Company had 23 employees.

Alius Jakubėlis is the Director of the Company.



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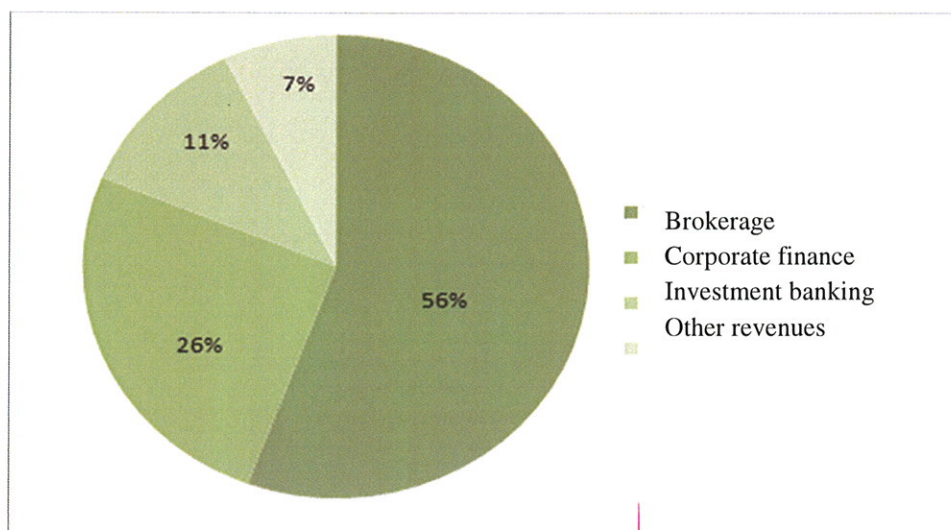
(All amounts are in Euros unless otherwise stated)

The Company's Board consists of 4 persons. Chairman of the Board – Mintautas Miškinis, members – Alius Jakubėlis, John Egil Skajem and Mindaugas Strėlis.

In 2017, the Company's revenues from operating activities were EUR 2.7 million. Client-managed funds and securities amounted to EUR 925.4 million.

During the current or previous reporting periods the Company has not acquired or transferred own shares. The Company is not engaged in research and development activity. All additional information as well as subsequent events are disclosed in the notes to the financial statements.

Figure 1. Revenue distribution by divisions



Services provided:

The Company focuses on three key services:

- brokerage in capital markets;
- corporate finance;
- private and investment banking.

The other two service groups account for a small share of revenues and are supporting the activities:

- market making;
- Financial instruments (FI) accounting and custody.

### **BROKERAGE IN CAPITAL MARKETS**

Orion Securities provides for a possibility to trade on all major global stock markets and make real time purchases.

We offer clients the following services:

- brokerage in purchasing and selling Financial instruments (on behalf of and at the expense of clients);
- brokerage in purchasing and selling Financial instruments (on behalf of and at the expense of the company);
- entering into REPO and RE-REPO transactions;
- trading platforms OriOnline and Orion Trader.



The range of trade in financial instruments includes the following:

- Bonds
- Shares
- Currencies and raw materials
- Futures and forwards
- Options
- Contracts for difference (CFD)

Orion Securities is a member of the stock exchanges of Vilnius, Riga, Tallinn and Warsaw and the only company in Lithuania that allows clients to trade on the Warsaw and OMX Baltic stock markets using contracts for difference.

In 2017, the company continued active operations in the area of capital attraction. The initial public offering (IPO) of East West Agro, a company trading in agricultural machinery, was successfully carried out in April. EUR 3 million were attracted and shares were included in the First North Baltic Share list on 22 May 2017.

#### Statistics of 2017

- The year 2017 could be characterised by considerable activity in financial derivatives, clients' portfolios accounted for almost USD 100 million.
- Positive moods in financial markets led to particularly active trade in CFD financial instruments and reached the annual turnover of EUR 500 million (compared to EUR 300 million in 2016).
- An almost triple growth of the turnover of trade in bonds reaching EUR 115 million (EUR 37 million in 2016) should also be mentioned. It was achieved upon joining of a new team member who was directly responsible for trade in bonds.
- The "trade" assets of clients (securities + cash) grew to reach EUR 190 million.

### INVESTMENT BANKING

The Investment Banking Division of Orion Securities focuses on active supervision of the investment portfolio by investing in viable and profitable financial instruments with a level of risk acceptable to the clients. The Investment Banking Division aims to offer creative solutions for complex problems, to manage assets today and find new ways to increase the assets in the future. The division also works with corporate clients helping them to resolve capital attraction, share sale or acquisition issues.

We offer clients the following services:

- Capital attraction for corporate clients;
- Distribution of various investment funds;
- Consulting services on the issues of private clients' investments.

In 2017, the number of employees of the division remained stable. It was actively offering alternative investment products: algorithmic trading fund, London's real estate fund, other real estate funds and corporate bonds. The service quality was improved, client base was expanded and attractiveness of products for various investment profile clients was enhanced.

## **CORPORATE FINANCE**

The team of Corporate Finance Division advises companies which enter into purchase and sale, restructuring, business valuation, alternative borrowing transactions, as well as provides consulting on corporate financial management. The Division employs 5 persons.

Corporate Finance Division offers the following services:

- consulting on mergers and acquisitions;
- consulting on sale of business;
- valuation of businesses or their divisions;
- share and bond offerings;
- concentration of shareholdings;
- initial public offerings;
- other financial and consulting services.

In 2017, the Corporate Finance Division was engaged in more than 20 capital attraction, merger, sales and consulting projects. In total 2 private bond and 1 public share offering projects were successfully implemented. We are proud to have contributed to the successful public offering of AB East West Agro in the alternative First North exchange, which was the first IPO in Lithuania after a period of several years. In 2017, we also implemented 2 private capital attraction projects and 1 company sales transaction. The year 2017 witnessed a growing interest of businesses in alternative bank financing.

## **OTHER SERVICES – MARKET MAKING**

In 2017, the Company participated in the Baltic and Warsaw Stocks Market Making Programme. At the end of 2017, the service was provided to 7 issuers: AUGA group AB, AB City Service, AB East West Agro, AB Grigeo, AB Inter RAO Lietuva, OMX Baltic Benchmark fund and AB Vilkyškių Pieninė. Concerning the positions where market making was carried out throughout 2017, the average monthly turnover generated by Orion Securities as a market maker reached EUR 57,000, the average turnover share generated by the market maker was 24%, and the average share of executed transactions was 41%. Involvement of Orion Securities as a market maker in the turnover of formed positions was much bigger than that of other Nasdaq Baltic market makers whose market shares by turnover accounted for 4–7%.

## **FORECAST FOR 2018**

In 2017, economy grew faster than forecasted, and no deceleration is foreseen in the coming year. The gained momentum of global economic growth and a much promising US tax reform encouraged the International Monetary Fund to revise the global economic growth forecasts for 2018 and 2019 and increase them by 0.2% to 3.9%. Developed countries are also expecting a considerable growth – the annual growth rate exceeding 2% is foreseen in 2018 and 2019.

The US tax reform should highly stimulate growth in the region in the short run due to the increased scale of investment related to reduced corporate taxes. A positive effect should linger until 2022 and subsequently subside due to the inherent temporary nature of the tax system and a growing risk of new reforms. The increased demand will cut a piece of profits cake to US neighbours Mexico and Canada.

Geopolitical threats, as usual, pose risk to economic stability. If a war is declared against North Korea, or Russia comes into conflict with its neighbours with an inevitable involvement of NATO, or the situation in the Middle East considerably worsens, – a bigger than usual military conflict could determine a serious correction or even the start of recession. Still, we cannot guarantee that these events will occur in 2018.

Global consumption continues to grow, yet this growth is faster than the increase in wages. This could cause a certain degree of restraint of consumers and we can observe a slightly increasing level of saving in 2018. We do not consider that consumers' pessimism should become our concern – historically serious



corrections in consumption were caused by considerable market shocks that are not forecasted in the year to come. The labour market remains sustainable and, judging from the communication from the European Central Bank and the Federal Reserve, no abrupt increase in inflation is foreseen – the interest rate will face a rather moderate growth.

Lithuania's economic situation is currently stable enough and is much better than it was before the previous economic crisis – Lithuanian companies remain among the least borrowing companies across the European Union, dependency of the financial sector on external financing sources is also very contracted, and the loan share of real estate developing and construction companies in the national loan portfolio has been decreasing in recent years. We should not, however, forget that we are a small open economy and a strong dependency on external factors will always remain. The Bank of Lithuania forecasts a 2.8% GDP growth in 2018, further shrinkage of the unemployment rate, approaching a natural rate (to reach hardly 6.8% in 2018), and a smaller inflation than that recorded in 2017 – 2.6% instead of the 3.7% heights in 2017.

## **RISK MANAGEMENT**

### **Internal control**

Efficiency of internal control is one of the main conditions to ensure not only effective internal processes of a company and their safety, but also is essential for the provision of quality services to clients. Focus on internal control is emphasized in order to successfully implement the European Union MiFID and local legislation. Since national legal acts are also under constant improvement, the Company's staff works in cooperation with legal service firms and supervising authorities on a daily basis.

Three following types of internal control are applied to the efficient control process: preliminary, instant, and corrective. The Company's Compliance Officer periodically submits inspection reports to the chairman of the Board and the head of the Company, which reflect observed shortcomings and recommend divisional control improvement methods.

The Company has a strong focus on risk assessment and effective management of it in respect of each product and service group. Particular attention is paid to the dual control system in order to ensure early elimination of harmful activities and human errors.

Activities of the financial brokerage company involve a high amount of information. Advanced prevention of conflicts of interest and information security are the Company's priorities. Organizational structure and internal procedures ensure compliance with the above-mentioned priorities.

In order to improve its performance and efficiency, the Company regularly reviews its policies, procedures and contracts.

### **Risk management**

Risk management is an essential part of a successful company's system. Risk management processes are continuously improved in the Company; new solutions are introduced in advance to meet the demand of the financial market and financial derivatives. The Company has a risk management committee responsible for risk control and assessment at the Company.

Financial system risk factors that affect the Company's performance:

- **Economic risk**  
In 2017, financial markets grew considerably. With such a rapid growth of markets, a more significant correction is very likely to occur. Forecasting of economic events and preparation for potential shock is an important and inseparable part of the Company's operations.



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(All amounts are in Euros unless otherwise stated)

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- **Systemic risks**  
Over the past few years, the Lithuanian financial market has experienced much shock significantly affected by systemic risks. The risk that upon similar systemic risk factors domestic financial system institutions may experience similar shocks will remain in the future.
- **Operational risk**  
The Company constantly reviews internal processes and implements system upgrades. Regular staff training and constant process optimisation is arranged. This allows minimizing the risks that may occur due to human and systemic errors.
- **Reputation risk**  
The importance of reputation for a financial institution is especially high. The Company regularly carries out training for its employees. All employees are motivated not only for quantitative, but also for qualitative results. This allows managing and maintaining a high level of service quality.
- **Concentration risk**  
The Company aims at offering a vast variety of financial services thus diversifying income flows and reducing concentration risk.
- **Counterparty credit risk**  
The Company provides its clients with a possibility to trade in financial derivatives, thus it is of high importance to have adequate and functioning systems in place, which enable as big reduction of the Company's credit risk as possible. The Company pays considerable attention to the reduction of the counterparty credit risk that is one of the key risks of the Company.

Director

Alius Jakubėlis

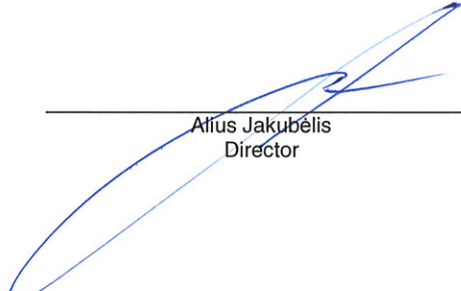


**STATEMENT OF COMPREHENSIVE INCOME**

	NOTES	2017	2016
Income from services and commission fees		2.484.601	2.623.936
Costs of services and commission fees		(737.977)	(892.588)
<b>Net income from services and commission fees</b>	<b>1</b>	<b>1.746.624</b>	<b>1.731.348</b>
Interest income		215.331	54.940
Interest expenses		(54.812)	(14.947)
<b>Net interest income</b>	<b>2</b>	<b>160.519</b>	<b>39.993</b>
Net profit (loss) of trade in securities and derivatives and forex transactions	3	(81.045)	29.846
Change in impairments and other provisions	4	658	10.584
Personnel expenses	5	(847.990)	(709.089)
Depreciation and amortisation	6	(20.354)	(25.606)
Administrative expenses	7	(546.154)	(628.145)
Other income (expenses)		27.974	3.440
<b>Profit (loss) before tax</b>		<b>440.232</b>	<b>452.371</b>
Income tax income (expenses)	9	(82.038)	(141.589)
<b>Net profit (loss)</b>		<b>358.194</b>	<b>310.782</b>
<b>Other comprehensive income, net of taxes</b>		<b>-</b>	<b>-</b>
<b>Total annual comprehensive income, net of taxes</b>		<b>358.194</b>	<b>310.782</b>

Accounting policies and notes provided in pages 19 – 44 are an integral part of these financial statements.

These Financial Statements were approved on 26 March 2018.

  
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 Alfius Jakubėlis  
 Director

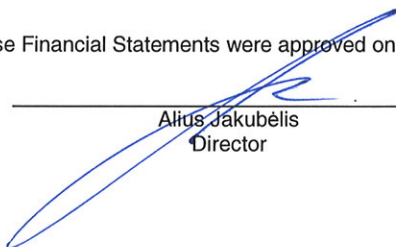
  
 \_\_\_\_\_  
 Dainius Minelga  
 Authorised accountant


**STATEMENT OF FINANCIAL POSITION**

		31 December 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	11.920	7.828
Property, plant and equipment	15	28.308	27.197
Deferred income tax asset	9	16.327	30.215
Other non-current assets	14	9.312	26.312
<b>Total non-current assets</b>		<b>65.867</b>	<b>91.552</b>
<b>Current assets</b>			
Loans	14	561.903	1.140.265
Derivative financial instruments	13	16.897	244.462
Securities designated at fair value though profit (loss) in the statement of comprehensive income	12	1.015.740	809.930
Trade receivables and pre-payments	11	294.442	228.974
Other current assets	10	116.274	30.453
Cash and cash equivalents	8	936.876	983.229
<b>Total current assets</b>		<b>2.942.132</b>	<b>3.437.313</b>
<b>Total assets</b>		<b>3.007.999</b>	<b>3.528.865</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital	1, 20	1.592.654	1.592.654
Legal reserve	20	159.292	159.292
Retained earnings		358.194	451.534
<b>Total equity</b>		<b>2.110.140</b>	<b>2.203.480</b>
<b>Non-current liabilities</b>		-	-
<b>Current liabilities</b>			
Loans received	16	477.305	882.872
Derivative financial instruments	13	97.516	152.512
Other financial liabilities	17	41.192	82.730
Trade payables		130.835	46.362
Salary liabilities	18	92.097	92.902
Income tax payable		12.032	22.232
Other current liabilities	19	46.882	45.775
<b>Total current liabilities</b>		<b>897.859</b>	<b>1.325.385</b>
<b>Total equity and liabilities</b>		<b>3.007.999</b>	<b>3.528.865</b>

Accounting policies and notes provided in pages 19 – 44 are an integral part of these financial statements.

These Financial Statements were approved on 26 March 2018.

  
 Alius Jakubėlis  
 Director

  
 Dainius Minelga  
 Authorised accountant

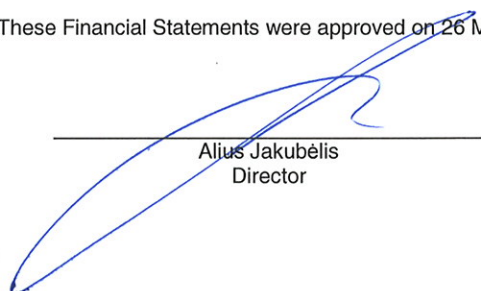


**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 31 December 2015</b>	<b>1.592.922</b>	<b>92.461</b>	<b>207.583</b>	<b>1.892.966</b>
Net profit (loss)	-	-	310.782	310.782
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>310.782</b>	<b>310.782</b>
Transfer to legal reserve	-	66.831	(66.831)	-
Share capital conversion difference	(268)	-	-	(268)
<b>Balance at 31 December 2016</b>	<b>1.592.654</b>	<b>159.292</b>	<b>451.534</b>	<b>2.203.480</b>
Net profit (loss)	-	-	358.194	358.194
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>358.194</b>	<b>358.194</b>
Dividends declared	-	-	(451.534)	(451.534)
<b>Balance at 31 December 2017</b>	<b>1.592.654</b>	<b>159.292</b>	<b>358.194</b>	<b>2.110.140</b>

Accounting policies and notes provided in pages 19 – 44 are an integral part of these financial statements.

These Financial Statements were approved on 26 March 2018.

  
 Alius Jakubėlis  
 Director

  
 Dainius Minelga  
 Authorised accountant

**CASH FLOW STATEMENT**

	Notes	2017	2016
<b>Cash flows from (to) operating activities</b>			
Net profit		358.194	310.782
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation	15	20.355	25.606
Interest expenses	2	54.812	14.947
Interest (Income)	2	(215.331)	(54.940)
Change in allowance for receivables	11	(78.060)	(3.630)
(Profit) from disposal of property, plant and equipment and intangible assets		-	(19)
Change in deferred income tax asset	8	13.888	(2.209)
Other non-cash expenses (income)		64.736	152.143
		<b>218.594</b>	<b>442.680</b>
<b>Changes in working capital:</b>			
Decrease (increase) of trade receivables and pre-payments	11	12.592	256.205
(Decrease) increase of trade payables		84.473	18.031
(Decrease) increase of salary related liabilities		(805)	(143.231)
(Increase) in other assets		(68.821)	(21.391)
Increase (decrease) in other payables	19	1.107	(571)
Increase (decrease) in income tax payable		(10.200)	22.232
Paid income tax		(78.350)	(76.627)
<b>Net cash flow from operating activities</b>		<b>158.590</b>	<b>497.328</b>
<b>Investing activities</b>			
(Acquisition) of property, plant, equipment, intangible assets and investment property	15	(26.971)	(15.836)
Disposal of property, plant, equipment, intangible assets and investment property	15	1.413	230
(Granting) of loans		(1.770.658)	(2.938.044)
Recovery of loans		2.349.020	2.474.433
Change of derivative financial instruments		172.569	138.605
(Acquisition) of trade securities		(28.039.308)	(3.513.190)
Disposal of trade securities		27.833.498	3.571.843
Dividends received	3	13.614	1.861
Interest received	2	215.331	54.940
<b>Net cash flows from investing activities</b>		<b>748.508</b>	<b>(225.158)</b>
<b>Cash flows from financial activities</b>			
Loans received		1.968.083	842.880
Loans (repaid)		(2.373.650)	(671.717)
Change in other financial liabilities	17	(41.538)	(168.614)
Interest (paid)	2	(54.812)	(14.947)
Dividends (paid)		(451.534)	-
<b>Net cash flow from financing activities</b>		<b>(953.451)</b>	<b>(12.398)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(46.353)</b>	<b>259.772</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>983.229</b>	<b>723.457</b>
<b>Cash and cash equivalents at end of the period</b>		<b>936.876</b>	<b>983.229</b>

Accounting policies and notes provided in pages 19 – 44 are an integral part of these financial statements.

These Financial Statements were approved on 26 March 2018.

Alius Jakubėlis  
Director

Dainius Minelga  
Authorised accountant



## GENERAL INFORMATION

UAB FMJ Orion Securities (hereinafter – the Company) is a private limited company registered in the Republic of Lithuania. Legal address of the Company is:

Antano Tumėno str. 4,  
 Vilnius, Lithuania

The Company is engaged in financial brokerage, which includes the following four main groups of services: security contract brokerage, corporate finance, market making and asset management services. The Company has started its activity on 12 August 1993.

On 31 December 2017 and 2016 the Company's shareholders were as follows:

	31 December 2017		31 December 2016	
	Number of shares held	Percentage	Number of shares held	Percentage
Orion Managing Partners B.V (registered address: Minderbroederssingel 11 6041 KG, Roermond, The Netherlands Code of legal entity: 856097378)	62.858	80 %	62.858	80 %
UAB Suprema LT (registered address: S. Fino str. 6-3, Vilnius, Lithuania) Code of legal entity: 304135030)	15.714	20 %	15.714	20 %
Total	78.572	100 proc.	78.572	100 %

All shares with nominal par value of EUR 20,2734 are ordinary shares and as of 31 December 2017 and 2016 were fully paid. Authorised share capital remained unchanged in 2017 and 2016. The Company had not owned its shares.

On 31 December 2017 the Company employed 23 employees (on 31 December 2016 – 30 employees).

The management of the Company approved these financial statements on 26 March 2018, the shareholders may approve or not approve these annual financial statements and may ask the management to prepare new financial statements.

UAB FMJ Orion Securities operates under the license of category A No. A106, issued on 6 September 2007 by the Resolution No. 2K-268 of the Securities Commission of the Republic of Lithuania.

Licence of category A grants a right to the Company to provide the following investment services:

- accept and transfer orders;
- execute orders at the expense of clients;
- execute orders at its own expense;
- manage portfolios of financial instruments;
- provide recommendations on investment;
- offer financial instruments with the obligation to distribute them;
- offer financial instruments without the obligation to distribute them.

The Company is also providing the following additional services:

- distribute units of investment funds;
- secure, account and manage financial instruments;
- grant loans, intended to allow the client to carry out transactions with financial instruments, if the grantor is associated with these transactions;
- carry out an analysis and evaluation of companies.

## **ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### **Basis of preparation of financial statements**

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2017 that have been adopted for use in the European Union (hereinafter – IFRS). The financial statements are prepared on a historical cost basis, except for securities designated at fair value through profit or loss in the statement of comprehensive income and derivative financial instruments, which have been measured at fair value.

Financial statements of the Company are presented in local currency that is functional currency of the Company – euro. Transactions in foreign currency are accounted in functional currency of the Company at the day of the transaction. Monetary assets and liabilities, expressed in foreign currency, are converted into functional currency of the Company according to the currency exchange rate that is valid at the date of the financial statements.

Due to rounding of individual amounts to whole euro the numbers in the tables might not coincide, such errors of rounding in these financial statements are insignificant.

### ***Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations***

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

- **IAS 12 “Profit taxes”: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**  
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments had no significant impact to the Company’s financial position or results.
- **IAS 7 “Cash flow statement”: Disclosure Initiative (Amendments)**  
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Company has applied the amendments and included mandatory disclosures in the financial statements (Note 17).

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

- **IFRS 9 Financial Instruments: Classification and Measurement**  
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The management of the Company preliminarily assessed the effect of this standard application and considers standard implementation impact to be not material for the financial instruments, except for credit loss assessment, but this analysis is not yet complete at the date of preparation of these financial statements.
- **IFRS 15 Revenue from Contracts with Customers**  
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed the application of the standard and based on the preliminary analysis performed, the Company does not expect significant impact on its Financial Statements as the Company does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred and contract modifications are rare, etc.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**  
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB’s intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the “separately identifiable” principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the application of the standard and standard adoption will not have a significant impact for the Company (as described above).



**ACCOUNTING POLICIES (continued)**

***Standards issued but not yet effective (continued)***

- **IFRS 16: Leases**  
 The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management has not yet evaluated the impact of the implementation of this standard.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**  
 The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**  
 The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- **IAS 40: Transfers to Investment Property (Amendments)**  
 The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- **IFRS 9: Prepayment features with negative compensation (Amendments)**  
 The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this amendment.
- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**  
 The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**  
 The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**  
 The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this interpretation.
- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities (adopted by EU in 2018) and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These improvements will not have any impact on the financial statements of the Company.



## ACCOUNTING POLICIES (continued)

### Standards issued but not yet effective (continued)

- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.
- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.
- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these improvements.
  - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The company intends to apply the standards and interpretations described above from the date of their entry into force if they will be approved for use in the European Union.

### Use of judgements and estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The impact of such changes will be included in financial statements once they appear.

#### Going concern

The Company's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements on the going concern basis.

#### Impairment losses on loans, trade accounts receivables and prepayments

The Company reviews loans, trade accounts receivables and prepayments to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans, trade accounts receivables and prepayments.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets as well as other objective and subjective factors. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when assessing its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For fair value of financial assets and liabilities refer to note on financial risks management.



## **ACCOUNTING POLICIES (continued)**

### **Use of judgements and estimates in the preparation of financial statements (continued)**

#### Deferred tax asset

Deferred tax asset is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For carrying amounts of deferred income tax asset see Note 9.

### **Recognition of income and expenses**

#### Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### Fee and commission income and expense

Income and expense of fees and commissions are generally recognised on an accrual basis when the service has been provided.

Corporate finance services fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

#### Dividend income

Dividends are recognised in the statement of comprehensive income when the entity's right to receive payments is established.

#### Other expenses

Other expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due.

## **Taxation**

#### Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 15% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation.

Deferred income tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities. The losses from disposal of securities can be carried forward for 5 consecutive years. Starting with 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

Deferred tax related to fair value re-measurement of available-for-sale investments which are charged to other comprehensive income, is also charged to other comprehensive income and subsequently recognised in the profit (loss) together with the deferred gain or loss.

#### Other taxes

Other taxes are included in other administrative expenses in the statement of comprehensive income.



## **ACCOUNTING POLICIES (continued)**

### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash, other valuables, correspondent bank account balances and short-term securities with the original maturity term of less than three months.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Financial assets**

According to IAS 39, financial assets are classified as financial assets at fair value through profit or loss in the statement of comprehensive income (held for trading), granted loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Initially these assets are accounted at acquisition value which is equal to fair value of paid price including attributable transaction costs (except for financial assets accounted at fair value through profit or loss). During the reporting year the Company had financial assets classified in the following groups: financial instruments and securities designated at fair value through profit and loss and loans granted and receivables.

Financial asset category is set at acquisition date and when it is allowed and essential it is reviewed in the beginning of every financial year.

All ordinary purchases and sales of financial assets are recognized on the settlement day.

### **A. Financial assets designated at fair value through profit (loss) in the statement of comprehensive income**

#### Securities designated at fair value through profit (loss)

Securities classified in this category are designated at fair value through profit or loss on initial recognition when the following criteria are met:

- that type of classification eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
- a group of securities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of these assets is provided internally to Company's management.

Securities designated at fair value through profit or loss are recognized at settlement date, which is the date that an asset is delivered to or by the Company. They are initially recorded at fair value. Changes in fair value are recorded in net gain (loss) on operations with securities. Most part of the Company's financial assets is attributed to this category.

#### Trading securities

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value, which is based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income or expenses. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date that an asset is delivered to or by the Company.

#### Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, contracts for differences - CFD (Company's issued or acquired) and other derivative financial instruments are initially recognised in the statement of financial position at their fair value. Fair values are determined according to the model, based on market observable inputs. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Contracts for differences is an agreement between two parties, i.e., the buyer and the seller, whereby one party pays the difference between the current market price and the initial price of the underlying instrument, valid on the date of the transaction. If the price of a specific CFD increases, the price difference is paid by the seller, if drops - by the buyer. CFD is a derivative financial instrument with the price based on the stock market price.

The Company, entered into CFD transaction with a client, is insured by making the same transaction with a third party or by buying the same amount of the securities which are the basis of the CFD transaction with the client.

Certain derivatives (CFD) even though providing an effective hedging of economic risk according to risk management policy of the Company, are not accounted for as risk management instrument according to particular rules included in IAS 39, and therefore are accounted as derivative financial instruments held for trade purposes, accounting the changes in their fair value as net profit (loss) from transactions in derivative financial instruments of the reporting period.



## ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### A. Financial assets designated at fair value through profit (loss) in the statement of comprehensive income (continued)

*Accounting of CFD transactions entered into with a third party.* In the case a price of a certain CFD instrument raises, compared to the initial price, set on the transaction opening date, the price difference on the transaction closing and settlement date is recorded in the liabilities caption as a liability to a client. Upon settlement with the client, the liability is offset. If a price of a certain CFD falls, the price difference on the transaction closing and settlement date is recorded in the assets caption as receivables from a client for CFD. Upon settlement with the client, the receivables are offset.

*Accounting of CFD concluded based on acquired securities.* On CFD transaction opening date with a client, the Company buys the same amount of securities for its portfolio as a basis for the CFD transaction made with the client. All securities, purchased for CFDs, are recorded in a separate portfolio of financial assets thereof. Every time when preparing the financial statements, the assets are measured at fair value, by recording an increase in the liabilities caption, and a decrease in the asset caption. On the transaction closing and settlement date, the securities are disposed. In this case, the CFD result includes results of revaluations and the amount of a profit or loss from disposal. If the result is positive (price of securities raised), financial liability to a client is recorded. Upon settlement with the client, the liability is offset. If the result is negative (price of securities dropped), it is recorded as receivables from a client. Upon settlement with the client this receivable is annulled.

Changes in the fair value of derivatives held for trading are included in net trading income (loss) from transactions with derivative financial instruments.

Certain derivatives embedded in other financial instruments, such as index linked options in bond issued, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the reporting period statement of comprehensive income.

Fair values of the derivative financial instruments are disclosed in Note 12.

#### B. Available for sale financial assets

Available for sale financial assets at fair value through other comprehensive income statement include financial assets that are invested in equity shares. Available for sale financial assets are those intended to be held for an indefinite period of time. In 2017 and 2016 the Company had no such assets.

#### C. Financial assets recognized at amortized cost

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition such assets are carried at amortized cost using the effective interest method less all impairments. Amortised cost is calculated including all acquisition discounts or add-ons and includes taxes inseparable from the effective interest rate and transaction price. Gains and losses are recognized as income (loss) when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and current receivables are accounted considering their impairment.

Loans and receivables are recognised in the statement of financial position on the day of payment thereof, when they are transferred to borrowers. From the day of signing of the loan agreement until the day of loan repayment they are accounted for under off-balance items.

##### Repurchase (Repo) and reverse repurchase (Reverse repo) agreements

The securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Company.

The securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. Reverse repurchase agreements are classified as loans and receivables to banks or customers, and are accounted for using the amortised cost method. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

#### Impairment of financial assets

If there is objective evidence that an impairment loss has been incurred on the loans and accounts receivable balances accounted for at amortised cost, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses that have not yet been incurred), discounted by the initial effective interest rate of the financial asset (i.e. effective interest rate assessed at the initial recognition moment). The carrying amount of the asset is reduced through the use of an allowance amount. Allowance amount is included in loss or gain.



## **ACCOUNTING POLICIES (continued)**

### **Financial assets (continued)**

#### **D. Financial assets carried at amortized cost**

At the beginning the Company determines if the objective evidences regarding impairment of individually material asset exist. Examples of individually evidences are like large financial difficulties of debtor, when it is probability that recovery procedures against the debtor will be started, no active market of financial asset, there are significant changes in technological, economical or legal environment and in debtor environment, or in cases when constant changes in fair value of financial asset below its amortized cost. When it is identified, that there is no possibility to recover financial asset, such asset is written-off. The objective evidence of it is bringing lawsuits against the debtor and the fact, that debtor does not have any asset for repaying of debts to creditors, or there is no possibility to find a debtor.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. Any future reversal of impairment is recognised as gain or loss in the amount in which the carrying amount of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### **Financial liabilities**

Trade and other payables and debts are at first recognised at fair value of received funds less costs of the transaction. Later they are accounted for at amortised value (not including derivative financial instruments, see above), and the difference between receivables and the amount payable during the term of the debt is included in the profit (loss) of the period. Debts are classified as long-term, if evidence is provided in the financial statements until the date of statement of financial position, that the liabilities of the date of statement of financial position are long-term.

### **Derecognition and offsetting of financial assets and liabilities**

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Net-offs

Financial assets and liabilities can be netted-off against each other and presented at fair value in statement of financial position if there is a legal possibility to net-off recognized amounts and it is planned to pay in fair value or sell assets and cover obligations at the same time, as it is established in IAS 39.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful life.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 3 to 4 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. The Company owns no assets of indefinite useful life.



## **ACCOUNTING POLICIES (continued)**

### **Non-Current Tangible Assets**

Acquisition of non-current tangible assets, upon initial recognition, is recorded at acquisition cost. Subsequently, it is recorded at acquisition cost less accumulated depreciation. Depreciation is calculated using the straight-line (linear) method under the depreciation rates set out in non-current asset commencement. Calculation of depreciation begins next month following the commencement:

Furniture	6 years,
Office equipment	3 years,
Vehicles	6 - 10 years,
Other non-current assets	4 - 6 years.

Non-current tangible and intangible assets are constantly reviewed in order to evaluate the reduction of its value, if any changes of events or circumstances show that the accounting value might be non-recoverable. The carrying amount of assets is immediately reduced to recoverable amount in case the carrying amount exceeds the established recoverable amount. Recoverable amount is the fair value of assets less costs of sales, or the value of use, depending on which is higher. Profit or loss from sales of non-current tangible assets is based on its carrying amount and is included in the statement of comprehensive income. On each accounting date the net book value of assets and useful life periods are reviewed and updated respectively, if necessary.

### **Leases**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### Company is the lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease and included into other administrative expenses.

#### Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

### **Off-balance items – entrusted assets/funds and related liabilities (trusteeship)**

Assets and income together with related liabilities to return these assets, and/or any related income of the client, are not included in these financial statements in cases when the Company acts as a trustee, proxy or agent. Securities and financial instruments acquired on assignment and using funds of the client, on own behalf and behalf of clients, are accounted for in the clients' accounts in the off-balance sheet statement.

Client funds/money means the resources kept in trust on behalf of the Company in current bank accounts and bank accounts under the term deposit contract. Clients' money is separated from the Company's resources and kept in trust in commercial banks.

Securities purchased on behalf of clients are securities purchased for clients on behalf of the Company in Lithuania and through foreign intermediaries. These securities are stored on behalf of the Company in various depositories and with other account managers. Value of securities, stored by the clients in the Company's securities accounts, is calculated on the financial reporting date, by multiplying the quantity of the securities by the securities' market price, and, if such is not available - by the nominal value. Bonds, purchased on behalf of clients, are accounted in off-balance accounts at their nominal value.

Contracts for Difference (CFD) are transactions in force on the reporting date, entered into on clients' behalf and account or on own behalf and the clients' account. CFD entered into on own behalf and the clients' account, i.e. derivative financial instruments held at the Company's accounts opened with the third parties (*omnibus* type accounts), any benefits or loss of which solely belongs to clients, and the Company acts as mediator only. The value of CFD on the day of financial statements is calculated by multiplying the amount of financial instruments by the difference between market value of related securities (on the day of transaction and revaluation). CFD acquired on the clients' account are accounted for at fair value as off-balance items, and factual receivables and payables arising from these financial instruments (between the Company and the clients) are included in the statement of financial position.

Client transactions on derivative financial instruments with a third party are Option and Forex transactions in force on the reporting date. They are included in off-balance accounts at fair value.

### **Employee benefit**

#### Social security contributions

The Company pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.



## **ACCOUNTING POLICIES (continued)**

### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expense relating to any provision is recognised in the income statement. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### **Fair value of assets and liabilities**

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

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

The principal or the most advantageous market must be accessible to by the Company.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: the fair value of the valuation methods; where the lower level variables having a significant effect on the fair value are directly or indirectly available on the market;

Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. In the case of inactive markets the establishment of valuation techniques for measuring the fair value is provided.

### **Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but described in financial statements when an inflow or economic benefits is probable.

### **Subsequent events**

Post-year-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

## FINANCIAL RISK MANAGEMENT

The Company analyses, assesses, takes and manages risks and risk groups in its activity. The purpose of risk management is to ensure acceptable profitability and return on equity by proper management of risks. Key types of risks that the Company faces are credit, foreign currency, interest rate, liquidity and operational risk. Concentration risk is seen as part of the credit risk. The Board and management of the Company, heads of divisions and internal controller are responsible for management of individual risks within their competence.

The Company is a financial institution, and management of its various financial risks is strictly regulated and supervised. For risk management, relevant orders and procedures have been developed: Trading Policy, Trading Risk Management Policy, Internal Capital Adequacy Assessment Process and Risk Management Strategy, Solvency and Liquidity Rules, Operational Risk Assessment and Management Policies and Procedures, as well as other instruments.

The Company applies the following financial risk management procedures:

Capital adequacy calculation - on a daily basis the Company must meet the capital adequacy ratio requirements, calculated according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council;

In trading activities - compliance with and assessment of position limits and additional restrictions;

Internal control performance is carried out by the specially assigned employee.

### Credit risk

Credit risk - means the risk for the Company to incur losses due to the customers' failure to fulfil their financial obligations towards the Company. Credit exposures arise principally in investing and lending activities and it is the most significant risk in the Company's business. Due to regular statements the management of the Company is constantly informed on the level of risks taken and changes thereof.

Upon assessing impairment losses on loans and financial assets the Company follows the requirements of IAS 39 Financial instruments: recognition and measurement. Impairment losses are recognised for financial reporting purposes only for those losses that have been incurred due to loss events that have taken place before the statement of financial position date based on objective evidence of impairment.

### Loans and receivables

Credit risk is managed by carrying out a thorough analysis of the customer before issuing credits and by monitoring thereof after the credit disbursement. The Company manages concentration risk by limiting and controlling concentration of credit risk, it evaluates possibilities of the customer to repay the loan and collaterals.

Maximum credit risk position, irrespective of pledging measures and other liability implementation assurance tools:

	31 December 2017	31 December 2016
Credit risk exposures relating to on-balance sheet assets are as follows:		
Securities designated at fair value through profit (loss)	1.015.740	809.930
Cash and cash equivalents	936.876	983.229
Loans	561.903	1.140.265
Trade receivables and prepayments	294.442	228.974
Derivative financial instruments	16.897	244.462
<b>Total</b>	<b>2.825.858</b>	<b>3.406.860</b>

The table above represents credit risk exposure at 31 December 2017 and 2016, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on the net carrying amount as they appear in the statement of financial position.

In managing credit risk of cash the Company diversifies cash keeping places and stores cash, in the opinion of the management, with secure Lithuanian and foreign banks and financial brokerage firms. The management actively monitors ratings of banks and status of financial brokerage firms, therefore the management believes that the parties of the transaction would implement their liabilities.



**FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

Information on loans granted and trade receivables and prepayments as of 31 December is provided in the table below:

	<b>2017</b>		<b>2016</b>	
	Loans	Trade receivables and pre-payments	Loans	Trade receivables and pre-payments
Loans and receivables neither past due nor impaired	561.903	210.320	1.140.265	162.732
Loans and receivables, past due but not impaired	-	84.122	-	66.242
Impaired loans and receivables	10.000	73.428	10.000	151.488
<b>Gross</b>	<b>571.903</b>	<b>367.870</b>	<b>1.150.265</b>	<b>380.462</b>
Less: allowance for impairment	(10.000)	(73.428)	(10.000)	(151.488)
<b>Net</b>	<b>561.903</b>	<b>294.442</b>	<b>1.140.265</b>	<b>228.974</b>

Past due but not impaired loans, trade receivables and prepayments mean loans, trade receivables and prepayments that are past due but have no individual allowances for impairment considering collaterals and other risk mitigating circumstances.

Impaired loans, trade receivables and prepayments mean loans, trade receivables and prepayments that have individual allowances for impairment by 100 percent, as it is not expected to recover loans, trade receivables and prepayments.

Analysis of past due but not impaired loans, trade receivables and prepayments for 31 December is as follows:

	<b>2017</b>		<b>2016</b>	
	Loans	Trade receivables and pre-payments	Loans	Trade receivables and pre-payments
Past due 1 -30 days	-	6.740	-	35.686
Past due 31-60 days	-	8.793	-	2.476
Past due 61-90 days	-	7.110	-	3.820
Past due over 90 days	-	61.479	-	24.260
<b>Total</b>	<b>-</b>	<b>84.122</b>	<b>-</b>	<b>66.242</b>

Having evaluated the financial status of debtors the Company as of 31 December 2016 and 2017 did not impair past due loans and trade receivables as well as pre-payments.

Securities designated at fair value through profit (loss) in the Comprehensive income statement

Below is the analysis of trading securities designated at fair value through profit (loss) per trade geographical zone:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Baltic countries	617.001	470.337
USA	277.213	9.558
Other EU states	98.913	53.181
Other	22.613	276.854
<b>Total</b>	<b>1.015.740</b>	<b>809.930</b>

## **FINANCIAL RISK MANAGEMENT (continued)**

### **Credit risk (continued)**

#### Derivative financial instruments

The credit risk arising from derivative instruments is managed daily by assessing the potential market value changes. Margining agreements are established with the clients. To manage credit risk of these financial instruments security measures (deposited funds or securities) are granted, therefore, the management believes that credit risk associated to derivative financial instruments is not significant.

#### General assessment of risk

In the table provided below, low risk transactions are secure transactions, i.e. sound financial status, stable operations, implementation of agreements without major violations, no past due receivables, no past due receivable loans and up to one year maturity. Cash are considered of low risk if they are kept with banks of the EU states and the USA, the parent banks of which have investment ratings and the share of cash at accounts of EU countries and USA brokers' platforms, which are covered by liabilities with the same platform, receivables, which are secured with collaterals from customers.

Transactions that have loss factors and have risk of loan not being repaid, also cash at accounts of EU states and USA brokers platforms, are assessed as those having higher risk.

Unclassified risk concerns such positions which have no credit assessment.

Low risk equity securities are securities traded in regulated stock markets.

Low risk debt securities are securities of rating BBB- and above, securities of higher risk – securities of rating below BBB-.

31 December 2017	Low risk	Higher risk	Not class- ified	Total
Credit risk exposures relating to on-balance sheet assets are as follows:				
Securities designated at fair value through profit (loss)	1.015.740	-	-	1.015.740
Cash and cash equivalents	936.876	-	-	936.876
Loans granted	257.479	231.224	73.200	561.903
Trade receivables and prepayments	219.022	72.723	2.697	294.442
Derivative financial instruments	-	16.897	-	16.897
<b>Total</b>	<b>2.429.117</b>	<b>320.844</b>	<b>75.897</b>	<b>2.825.858</b>

31 December 2016	Low risk	Higher risk	Not class- ified	Total
Credit risk exposures relating to on-balance sheet assets are as follows:				
Securities designated at fair value through profit (loss)	799.350	10.580	-	809.930
Cash and cash equivalents	983.229	-	-	983.229
Loans granted	816.811	246.898	76.556	1.140.265
Trade receivables and prepayments	164.770	57.827	6.377	228.974
Derivative financial instruments	-	244.462	-	244.462
<b>Total</b>	<b>2.764.160</b>	<b>559.767</b>	<b>82.933</b>	<b>3.406.860</b>



## **FINANCIAL RISK MANAGEMENT (continued)**

### **Foreign exchange risk**

The policy of the Company is to coordinate cash flows from highly probable future sales with purchases in each foreign currency. The Company uses no financial instruments contributing to management of foreign currency risk. As of 31 December 2017 and 2016 cash assets and cash liabilities in different currency were as follows (in equivalent in euros):

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
EUR	2.240.530	302.328	2.834.721	617.000
USD	629.000	498.000	433.000	721.000
PLN	21.000	-	22.000	-
SEK	9.000	-	7.000	-
CAD	1.000	-	184.000	-
GBP	1.000	3.000	-	8.000
<b>Total</b>	<b>2.901.530</b>	<b>803.328</b>	<b>3.480.721</b>	<b>1.346.000</b>

The table below provides sensitivity of the Company's profit before tax and equity to possible foreign currency changes, when all other variables are treated as fixed (considering changes of cash assets and fair values of liabilities).

	<b>Change</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
USD	-10 proc	(13.100)	(28.800)
PLN	-10 proc	(2.100)	(2.200)
SEK	-10 proc	(900)	(700)
GBP	-10 proc	(200)	(800)
CAD	-10 proc	(100)	(18.400)
<b>Total</b>	<b>-10 proc</b>	<b>(16.400)</b>	<b>(50.900)</b>

Sensitivity of foreign exchange risk is calculated by assessing possible losses from open positions, i.e. open foreign Exchange position is multiplied by expected foreign currency change.

### **Interest rate risk**

Interest rate risk is the risk that the Company will incur losses due to fluctuations of financial assets and liabilities designated at fair value through profit or loss, concerning changes in market interest rate.

Loans granted and received by the Company have fixed interest rates, thus the Company is not subject to interest rate risk.

## FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk means the risk that the Company is unable to meet its financial obligations in time. The Company's policy is to maintain a sufficient amount of cash and cash equivalents or ensure financing due to respective number of credit lines to other borrowing instruments in order to implement its liabilities both in everyday and complicated circumstances without unacceptable losses and without risk to loose reputation.

Management of liquidity risk is performed by implementing internal control by establishing procedures limiting incidental risk and performance continuity plans, evaluating the acceptability or non-acceptability of services provided by the Company, performing functions of management of pricing of products and services and reallocation of internal resources, analysing processes and procedures of the Company by identifying risks and sufficiency of control thereof.

Undiscounted cash flows below describe financial liabilities of the Company till 31 December 2017.

	Up to 3 month	3 to 12 months	1 to 5 years	Over 5 years	No term /on demand	Total
<b>Liabilities</b>						
Trade debts	130.835	-	-	-	-	<b>130.835</b>
Other financial liabilities	-	-	-	-	41.192	<b>41.192</b>
Derivative financial instruments	-	-	-	-	97.516	<b>97.516</b>
Borrowings	-	-	-	-	477.305	<b>477.305</b>
<b>Total liabilities</b>	<b>130.835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>616.013</b>	<b>746.848</b>

Undiscounted cash flows below describe financial liabilities of the Company till 31 December 2016.

	Up to 3 month	3 to 12 months	1 to 5 years	Over 5 years	No term /on demand	Total
<b>Liabilities</b>						
Trade debts	46.362	-	-	-	-	<b>46.362</b>
Other financial liabilities	12.730	-	-	-	70.000	<b>82.730</b>
Derivative financial instruments	-	-	-	-	152.512	<b>152.512</b>
Borrowings	-	371.163	-	-	511.709	<b>882.872</b>
<b>Total liabilities</b>	<b>59.092</b>	<b>371.163</b>	<b>-</b>	<b>-</b>	<b>734.221</b>	<b>1.164.476</b>

### Operational risk

The Company defines the operational risk as a risk to suffer direct or indirect losses due to improper or inefficient internal procedures or processes, technologies, employee actions or external factors.

Management of operation risk is based on internal control, by establishing procedures limiting the possible incidental risks, insuring tangible assets of the Company, assessing acceptability and non-acceptability of services provided by the Company, management of pricing of products and services and reallocation of internal resources, analysing processes and procedures of the Company, identifying risk points and assessing sufficiency of its control.

Internal capital for operational risk is calculated on a basic indication method, following European Parliament and Council regulation 575/2013 (CRDIV / CRR).

The table below discloses the method of calculation of operational risk according to basic indicator approach in thousand EUR.

31 December 2017	Year -3	Year -2	Last year	Average
1. ALL BUSINESS LINES ACCORDING TO BASIC INDICATOR APPROACH	701	1.622	1.808	1377
CAPITAL CHARGE, %.	-	-	-	15%
Exposure value, thousand EUR (Average* coefficient)	-	-	-	207
<b>Capital requirements, thousand EUR (207*12,5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.588</b>



## FINANCIAL RISK MANAGEMENT (continued)

### Operational risk (continued)

31 December 2016	Year -3	Year -2	Last year	Average
1. ALL BUSINESS LINES ACCORDING TO BASIC INDICATOR APPROACH	628	701	1.622	984
CAPITAL CHARGE, %.	-	-	-	15 %
Exposure value, thousand EUR (Average* coefficient)				148
<b>Capital requirements, thousand EUR (148*12.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.850</b>

### Fair value of financial assets and liabilities

The following items of financial assets and financial liabilities are not disclosed in the statement of financial position at their fair value: cash and cash equivalents, trade receivables and prepayments, loans granted, borrowings, other financial liabilities, trade payables. The management of the Company have evaluated that the fair value of these assets and liabilities as of 31 December 2016 and 2017 approximately are equal to their carrying amount. Fair value of trade receivables and payables, loans and other non-derivative financial assets as well as liabilities was treated as their carrying amount due to relatively short term of instruments concerned (level 3).

Next tables below summarize the fair value measurement hierarchy of the Company financial assets and liabilities accounted for at fair value. Financial instruments are categorised by fair value levels, as in the note "Accounting principals".

There were no movements of financial instruments between the levels during 2017 and 2016.

Valuation of financial assets and liabilities measured at fair value was performed on the statement of financial position date:

2017	Level 1	Level 2	Level 3	Total
Derivative financial instruments, assets (Note 12)	-	16.897	-	<b>16.897</b>
Derivative financial instruments, liabilities (Note 12)	-	(97.516)	-	<b>(97.516)</b>
Securities designated at fair value through profit or loss (Note 11):				
Debt securities	-	11.911	-	<b>11.911</b>
Equity securities	1.003.829	-	-	<b>1.003.829</b>
<b>Total</b>	<b>1.003.829</b>	<b>(68.708)</b>	<b>-</b>	<b>935.121</b>
<hr/>				
2016	Level 1	Level 2	Level 3	Total
Derivative financial instruments, assets (Note 12)	-	244.462	-	<b>244.462</b>
Derivative financial instruments, liabilities (Note 12)	-	(152.512)	-	<b>(152.512)</b>
Securities designated at fair value through profit or loss (Note 11):				
Debt securities	-	10.580	-	<b>10.580</b>
Equity securities	799.350	-	-	<b>799.350</b>
<b>Total</b>	<b>799.350</b>	<b>102.530</b>	<b>-</b>	<b>901.880</b>

The fair value of all available-for-sale derivatives of the Company is assigned to Level 2. The largest part is the price difference (CFD) transactions, the revaluation of which is based on market variables.

## **FINANCIAL RISK MANAGEMENT (continued)**

### **Capital management**

The Company's capital adequacy is calculated and distributed to risks in accordance with European Parliament and Council directive 2013/36/EU, European Parliament and Council regulation 575/2013 (CRDIV / CRR) as well as Basel III standards and legal acts approved by the Bank of Lithuania. Purposes of the Company's capital management are as follows:

- 1) Follow capital requirements established by the European Union and higher capital ratios to be achieved, which are established by the main shareholder.
- 2) Ensure continuity of the Company's performance, return for shareholders and benefits for other interested parties.
- 3) Promote the development of the Company's business based on stable capital basis.

Every quarter information on capital adequacy is provided to the supervising institution based on the requirements of the European Union and the Bank of Lithuania. The capital of the Company is subdivided in the following 2 levels:

- 1) 1st level equity ratio (CET1 Capital ratio), which consists of registered capital, retained earnings of the previous financial year, other reserves, accrued other comprehensive income, value adjustments according to requirements of valuation based on risk limiting principles, less intangible assets, prepayments and deferred tax assets.
- 2) 2nd level equity ratio consists of other transitional adjustments related to other accrued comprehensive income.

As of 31 December 2016 and 2017 the Company had no capital of 2<sup>nd</sup> level.

Assets evaluated according risk is calculated based on risk-weighting of assets, which are attributed to classes according to the type of assets and type of party of the transaction, also considering collaterals and guarantees, which are adequate for risk minimisation. Accordingly, with modifications, off-balance sheet items are assessed based on risk.

The table below provides the composition of capital and ratios of the Company as of 31 December for the year ended. Considering requirements of the supervising institutions the Company is subject to 8 % capital adequacy ratio. Moreover, in 2016 new capital requirements were introduced, which must be met by the Company, i.e. in 2016 additional capital conservation buffer of 2.5% was applied to all financial brokerage firms of category A. In 2016 and 2017 the Company met all capital requirements to which it was subject.

	Ratios	2017	2016
<b>1.</b>	<b>1st level equity ratio</b>	<b>2.056</b>	<b>1.819</b>
1.1.	Share capital	1.593	1.593
1.2.	Reserves	159	159
1.3.	Total value of additional valuation adjustments (AVA) estimates	(4)	(5)
1.4.	Earnings of reporting year	358	141
1.5.	Intangible assets	(12)	(8)
1.6.	Deferred income tax assets	(16)	(31)
1.7.	Prepayments and deferred expenses	(22)	(30)
<b>2.</b>	<b>Capital requirements (CR)</b>	<b>6.799</b>	<b>7.412</b>
2.1.	Credit risk	2.410	3.536
2.2.	Position risk	1.325	1.263
2.3.	Foreign currency risk	288	500
2.4.	Operational risk	2.588	1.850
2.5.	Credit valuation adjustment risk	188	263
<b>3.</b>	<b>Capital ratio (1 line/ 2 line)</b>	<b>30.24%</b>	<b>24.54 %</b>



**OTHER NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 NET INCOME FROM SERVICES AND COMMISSION FEES**

	2017	2016
Income from services and commission fees:		
Income from commission fees	1.744.371	1.936.947
Valuation and consulting services	261.767	331.209
Accounting for and storage of securities	242.422	156.849
Market making and other fixed fee services	127.527	104.201
Accounting services	72.045	35.720
Currency exchange income	36.469	59.010
<b>Total income from services and commission fees</b>	<b>2.484.601</b>	<b>2.623.936</b>
Costs of services and commission fees:		
Fees to brokers	(455.870)	(553.014)
Fees to stock exchanges, depositories	(121.340)	(116.082)
Fees for access to trading and data platforms	(77.901)	(72.468)
Software maintenance	(35.557)	(34.715)
Consultations	(28.656)	(96.775)
Other costs	(18.653)	(19.534)
<b>Total costs of services and commission fees</b>	<b>(737.977)</b>	<b>(892.588)</b>
<b>Net income from services and commission fees</b>	<b>1.746.624</b>	<b>1.731.348</b>

**NOTE 2 NET INTEREST INCOME**

	2017	2016
Interest income		
Interest on cash held in bank accounts	173.005	429
REPO transaction interests	31.564	28.456
Interest from loans	10.762	26.055
<b>Total interest income</b>	<b>215.331</b>	<b>54.940</b>
Interest expenses		
Interest for loans	(54.812)	(14.947)
<b>Total interest expenses</b>	<b>(54.812)</b>	<b>(14.947)</b>
<b>Net interest income</b>	<b>160.519</b>	<b>39.993</b>

**NOTE 3 NET PROFIT (LOSS) OF TRADE IN SECURITIES, DERIVATIVES AND FOREX TRANSACTIONS**

	2017	2016
Realised gains (loss) from trade in shares	(36.833)	853
Positive (negative) impact of forex changes	(17.194)	11.103
Net dividend income	13.614	1.861
Net unrealised revaluation result of financial assets and liabilities designated at fair value through profit or loss	(40.632)	16.029
<b>Total</b>	<b>(81.045)</b>	<b>29.846</b>

**NOTE 4 CHANGE IN IMPAIRMENTS AND OTHER PROVISIONS**

	2017	2016
Bad debts allowance change (Notes 11 and 14)	658	3.630
Fines and penalties expenses	-	6.954
<b>Total</b>	<b>658</b>	<b>10.584</b>

**NOTE 5 PERSONNEL EXPENSES**

	2017	2016
Salaries	(646.936)	(533.791)
Social insurance costs	(194.121)	(164.898)
Change in vacation accrual	(5.680)	(9.335)
Contributions to guarantee fund	(1.253)	(1.065)
<b>Total</b>	<b>(847.990)</b>	<b>(709.089)</b>

**NOTE 6 DEPRECIATION AND AMORTISATION**

	2017	2016
Depreciation of property, plant and equipment	(13.408)	(13.830)
Amortisation of intangible assets	(6.946)	(11.776)
<b>Total</b>	<b>(20.354)</b>	<b>(25.606)</b>

**NOTE 7 ADMINISTRATIVE EXPENSES**

	2017	2016
Advertising and marketing costs	(127.450)	(78.355)
Taxes (excluding income tax)	(76.250)	(80.774)
Donations	(71.600)	(54.500)
Premises rent and utilities expenses	(65.624)	(65.027)
Legal services	(62.362)	(117.257)
Professional training and business trips costs	(31.678)	(34.231)
Vehicle lease and maintenance costs	(27.074)	(61.234)
Insurance costs	(16.871)	(17.509)
Office costs	(13.624)	(20.964)
Accounting services	(13.559)	(11.470)
Compensations to clients	(13.521)	(55.811)
Other	(26.541)	(31.013)
<b>Total</b>	<b>(546.154)</b>	<b>(628.145)</b>

**NOTE 8 CASH AND CASH EQUIVALENTS**

	31 December 2017	31 December 2016
Cash in banks	936.876	983.229
<b>Total</b>	<b>936.876</b>	<b>983.229</b>

On 31 December 2016 and 2017, cash included resources in different currencies in Lithuanian and foreign bank accounts and financial brokerage firms. On 31 December 2016 and 2017 the Company had no short-term fixed maturity deposits.



**NOTE 9 INCOME TAX**

	<b>2017</b>	<b>2016</b>
<b>Components of income tax expenses (income)</b>		
Income tax expenses for the reporting year	68.150	67.171
Deferred income tax (income) expenses	13.888	(2.209)
Income tax expenses for the previous year	-	76.627
Income tax (income) expenses, accounted for under the statement of comprehensive income	82.038	141.589
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Deferred income tax assets</b>		
Impairment of assets	87.064	165.125
Vacation accrual	14.124	12.783
Unrealised gain/loss on revaluation of financial assets	57.257	73.128
Deferred income tax assets before valuation allowance	158.445	251.036
Less: valuation allowance	(49.600)	(49.600)
Net deferred income tax assets	108.845	201.436
<b>Deferred income tax liabilities</b>	-	-
<b>Net deferred income tax</b>	<b>16.327</b>	<b>30.215</b>

As of 31 December 2016 and 2017 the deferred income tax assets (liabilities) were estimated at 15% rate.

Due to uncertainties related to taxable profit to be earned from disposal of securities, in 2017 the Company have not recognised the related deferred income tax of EUR 24 thousand (2016 – EUR 13.6 thousand), which is related to the limited time (5 years) carried forward tax loss from financial activities. The changes of temporary differences before and after tax effect in the Company were as follows:

	<b>2015</b>	<b>In the statement of comprehensive income</b>	<b>2016</b>	<b>In the statement of comprehensive income</b>	<b>2017</b>
Impairment of assets	173.133	(8.008)	165.125	(78.061)	87.064
Social insurance contributions	10.578	2.205	12.783	1.341	14.124
Financial assets unrealised revaluation result	89.390	(16.262)	73.128	(15.872)	57.257
Total temporary differences	273.101	(22.065)	251.036	(92.592)	158.445
Less: valuation allowance	(86.395)	36.795	(49.600)	-	(49.600)
Net deferred income tax	28.006	2.209	30.215	(13.889)	16.327

The amount of income tax expenses may be aligned to income tax expenses, calculated based on income tax rate established by the Law, on the Company's profit before tax:

	<b>2017</b>	<b>2016</b>
Income tax expenses (income), at 15 % rate	66.035	67.856
Permanent differences	16.003	1.773
Other change	-	(4.667)
Income tax expenses for the previous year adjustment	-	76.627
Income tax expenses (income), accounted for under the statement of comprehensive income	<b>82.038</b>	<b>141.589</b>

**NOTE 10 OTHER CURRENT ASSETS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Other investments held for sale	48.889	1.462
Accrued income	47.410	14.701
Other asset	19.975	14.290
<b>Total</b>	<b>116.274</b>	<b>30.453</b>

As at 31 December 2017 other investments held for sale consisted of not yet sold shares of polish companies Orion Capital Sp.z.o.o. and Orion Capital spolka z ograniczona odpowiedzialnoscia SP.k – EUR 1 thousand, CEOcorp B.V. shares – EUR 30 thousand and rights to buy shares held for sale after the year end in amount of EUR 17 thousand (as at 31 December 2016 Company only had shares of polish companies).

In the year 2016 the Company acquired 100% of Orion Capital sp.z.o.o and Orion Capital spolka z ograniczona odpowiedzialnoscia Sp.k. holding shares for EUR 1.462 with a purpose to hold as investment and sell within 12 months. Orion Capital sp.z.o.o. is the parent of the Orion Capital spolka z ograniczona odpowiedzialnoscia SP.k. company. Orion Capital sp.z.o.o. is not involved in any other activity. Orion Capital spolka z ograniczona odpowiedzialnoscia Sp.k. activity is financial intermediation. The company operates in the Republic of Poland. In the year 2017 the Company sold 51 % of shares of Orion Capital Sp.z.o.o for EUR 573.68 (Republic of Poland), according to the management, remaining shares are expected to be sold in the near future.

Also in the year 2017 the Company acquired 20% of the newly created CEOcorp B.V. (the Netherlands) for EUR 30,000 with a purpose to hold these shares as an investment and sell within 12 months.

Due to the temporary control at 31 December 2017 and 2016 these investments were not considered as acquisition of subsidiaries or associates and the Company did not prepare consolidated financial statements and did not apply equity method accounting.

**NOTE 11 TRADE RECEIVABLES AND PREPAYMENTS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Trade receivables	314.528	275.609
Prepayments	29.278	32.957
Trade receivables from contracts for differences	20.649	10.893
Accrued CFD commission fee	3.415	61.003
	367.870	380.462
Less: doubtful trade receivables and prepayments allowances	(73.428)	(151.488)
	<b>294.442</b>	<b>228.974</b>

Trade receivables are non interest bearing and usually employ a 30 day payment term.

Trade receivables and prepayments with nominal value of EUR 73 thousand as of 31 December 2017 (EUR 151 thousand as of 31 December 2016) were impaired by 100%.

Change of receivable allowance in 2017 and 2016 is included under the impairment and other provisions expenses caption.

The aging analysis of trade receivables and prepayments of the Company for 31 December 2016 and 2017 is provided under Liquidity risk section of the Financial Risk Management note.

Movement of receivables and prepayments allowances:

	<b>Trade receivables</b>	<b>Prepayments</b>
Balance at 31 December 2015	(138.553)	(26.580)
Reversal	13.645	-
Balance at 31 December 2016	(124.908)	(26.580)
Reversal	1.570	-
Write-off	76.490	-
Balance at 31 December 2017	<b>(46.848)</b>	<b>(26.580)</b>



**NOTE 12 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT (LOSS)**

	31 December 2017			31 December 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Equity securities</b>						
Baltic countries	540.529	-	-	381.431	-	-
USA	114.211	-	-	-	-	-
Other EU states	98.913	-	-	53.181	-	-
Other	10.702	-	-	266.274	-	-
<b>Total equity securities</b>	<b>764.355</b>	<b>-</b>	<b>-</b>	<b>700.886</b>	<b>-</b>	<b>-</b>
<b>Collective investment fund units</b>						
USA	163.002	-	-	9.558	-	-
Baltic countries	76.472	-	-	88.906	-	-
<b>Total collective investment fund units</b>	<b>239.474</b>	<b>-</b>	<b>-</b>	<b>98.464</b>	<b>-</b>	<b>-</b>
<b>Debt securities</b>						
Other countries	-	11.911	-	-	10.580	-
<b>Total debt securities</b>	<b>-</b>	<b>11.911</b>	<b>-</b>	<b>-</b>	<b>10.580</b>	<b>-</b>
<b>Total trade securities</b>	<b>1.003.829</b>	<b>11.911</b>	<b>-</b>	<b>799.350</b>	<b>10.580</b>	<b>-</b>

Weighted yields of debt securities and their duration are presented in the table:

	2017		2016	
	%	Term (in years)	%	Term (in years)
Structural bonds	7	0,08	7	1,08

**NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are financial instruments predominantly used for hedging against risks under the Company's risk management positions. The Company enters into transactions involving contracts for differences seeking to hedge against contracts for differences fair value fluctuation risk.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in share prices considering the terms of transactions entered.

Aggregate amounts of derivative contracts can fluctuate within the risk ratio limits set by the Company. Fair values of derivative financial assets and liabilities may fluctuate significantly subject to market development.

The fair values of derivative financial instruments are set out in the following table.

	Nominal amounts (set out in the agreement)	Fair values	
		Assets	Liabilities
As at 31 December 2017			
Contracts for differences (CFD based on acquired securities)	776.568	-	80.619
Contracts for differences (CFD based on acquired equivalent CFD)	41.567	13.641	13.641
Contracts for differences (CFD entered based on borrowed securities)	20.132	3.256	3.256
Contracts for differences (acquired by the Company)	-	-	-
<b>Total</b>	<b>838.267</b>	<b>16.897</b>	<b>97.516</b>
As at 31 December 2016			
Contracts for differences (CFD based on acquired securities)	977.464	80.266	-
Contracts for differences (CFD based on acquired equivalent CFD)	271.722	144.135	144.134
Contracts for differences (CFD entered based on borrowed securities)	44.502	20.061	-
Contracts for differences (acquired by the Company)	9.605	-	8.378
<b>Total</b>	<b>1.303.293</b>	<b>244.462</b>	<b>152.512</b>

**NOTE 14 LOANS**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Loans pledged by securities	288.344	521.638
Loans granted to related parties	273.427	280.153
Loans pledged by other collateral than securities*	-	261.918
Other loans	10.132	86.556
<b>Total</b>	<b>571.903</b>	<b>1.150.265</b>
Total impairment loss:	(10.000)	(10.000)
Other loans	(10.000)	(10.000)
<b>Total loans granted and trade receivables, net</b>	<b>561.903</b>	<b>1.140.265</b>
<b>Fair value of collaterals received (unaudited)</b>	<b>687.713</b>	<b>1.179.327</b>

\* Collateral received is monetary funds, securities. The circumstances of use thereof are established in agreements with clients.

As of 31 December 2017 the terms of loans granted were from 3 months to 2 years (as of 31 December 2016: from 2 months to 3 years). Average interest rate of the loans granted in 2017 was 6% (6% in 2016). All loans granted are classified as current, as according to the management judgement it is likely that non-current loan might be returned before the due date.

Change in allowances for the loans is accounted for under impairment and other provisions expenses caption.

Movement of loan impairment:

	<b>Individual impairment</b>
Balance at 31 December 2015	(10.000)
Balance at 31 December 2016	(10.000)
Balance at 31 December 2017	(10.000)

**NOTE 15 PROPERTY, PLANT AND EQUIPMENT AND INTAGIBLE ASSETS**

	<b>Vehicles</b>	<b>Other property, plant and equipment</b>	<b>Total property, plant and equipment</b>	<b>Intangible assets</b>
Acquisition cost:				
<b>At 31 December 2015</b>	<b>1.380</b>	<b>77.511</b>	<b>78.891</b>	<b>107.063</b>
Acquisitions	-	15.061	15.061	775
Disposals and write-offs	1.380	600	1.980	-
<b>At 31 December 2016</b>	<b>-</b>	<b>91.972</b>	<b>91.972</b>	<b>107.838</b>
Acquisitions	-	15.906	15.906	11.065
Disposals and write-offs	-	3.146	3.146	346
<b>At 31 December 2017</b>	<b>-</b>	<b>104.732</b>	<b>104.732</b>	<b>118.557</b>
<b>At 31 December 2015</b>	<b>1.072</b>	<b>51.641</b>	<b>52.713</b>	<b>88.234</b>
Disposals and write-offs	1.302	466	1.768	-
Depreciation costs for the year	230	13.600	13.830	11.776
<b>At 31 December 2016</b>	<b>-</b>	<b>64.775</b>	<b>64.775</b>	<b>100.010</b>
Disposals and write-offs	-	1.760	1.760	319
Depreciation costs for the year	-	13.409	13.409	6.946
<b>At 31 December 2017</b>	<b>-</b>	<b>76.424</b>	<b>76.424</b>	<b>106.637</b>
Net book value:				
<b>At 31 December 2015</b>	<b>308</b>	<b>25.870</b>	<b>26.178</b>	<b>18.829</b>
<b>At 31 December 2016</b>	<b>-</b>	<b>27.197</b>	<b>27.197</b>	<b>7.828</b>
<b>At 31 December 2017</b>	<b>-</b>	<b>28.308</b>	<b>28.308</b>	<b>11.920</b>

Intangible assets include computer software and their licences.

No assets were pledged to a third party as at 31 December 2017 and 31 December 2016.

The Company had ownership title to all of the property and equipment as at 31 December 2017 and 31 December 2016.



**NOTE 15 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)**

Part of property, plant and equipment of the Company, the cost of which at 31 December 2017 was equal to EUR 47 thousand, was fully depreciated (EUR 40 thousand at 31 December 2016), but was still in use. The largest part of depreciated property which was still in use were computer equipment.

Part of intangible assets of the Company, the cost of which at 31 December 2017 was equal to EUR 95 thousand, was fully depreciated (EUR 75 thousand at 31 December 2016), but still in use. The largest part of depreciated assets which were still in use was software and licences.

**NOTE 16 LOANS RECEIVED**

	31 December 2017	31 December 2016
Overdrafts (credit balance of current accounts)	477.305	511.709
Loans pledged with securities	-	371.163
<b>Total</b>	<b>477.305</b>	<b>882.872</b>

	2017	2016	2017	2016
	Average duration		Average interest rate	
Overdrafts (credit balance of current accounts)	Open-ended	Open-ended	1 – 2 %	1 – 2 %
Loans pledged with securities	-	-	-	4 – 4,6 %

**NOTE 17 OTHER FINANCIAL LIABILITIES**

	31 December 2017	31 December 2016
Liabilities to return borrowed shares*	36.800	40.997
Liabilities to return borrowed shares	20.132	64.564
Other	20.566	12.729
<b>Total gross carrying amount of financial liabilities:</b>	<b>77.498</b>	<b>118.290</b>
Net-off amounts *	(36.306)	(35.560)
<b>Total net carrying amount of financial liabilities:</b>	<b>41.192</b>	<b>82.730</b>

\*A liability to return borrowed shares occurred according to agreement of market making services, net-off amount reflects a change of fair value of shares to be returned.

Changes in liabilities arising from financial operations:

	31 December 2016	Loans received	Loans (repayment)	Change in fair value	Interest expense	Paid interest	31 December 2017
Loans received	882.872	1.968.083	(2.373.650)	-	54.812	(54.812)	477.305
Derivative financial instruments	152.512	-	-	(54.996)	-	-	97.516
Other financial liabilities	82.730	-	-	(41.538)	-	-	41.192
<b>Total</b>	<b>1.118.114</b>	<b>1.968.083</b>	<b>(2.373.650)</b>	<b>(96.534)</b>	<b>54.812</b>	<b>(54.812)</b>	<b>616.013</b>

**NOTE 18 SALARY LIABILITIES**

	31 December 2017	31 December 2016
Accrued vacations	59.808	54.127
Payable social insurance contributions	32.289	38.584
Payable guarantee fund contributions	-	191
<b>Total</b>	<b>92.097</b>	<b>92.902</b>

**NOTE 19 OTHER CURRENT LIABILITIES**

	31 December 2017	31 December 2016
Accrued expenses	32.379	40.618
Payable VAT	7.941	1.195
Other taxes payable to the budget	4.315	3.230
Debts to accountable persons	2.247	732
<b>Total</b>	<b>46.882</b>	<b>45.775</b>

**NOTE 20 EQUITY, LEGAL RESERVE AND DIVIDENDS PER SHARE**

Authorised share capital

The Company's authorised share capital consists of 78.572 ordinary shares with a par value of EUR 20,27 each, and the authorised share capital in amount of EUR 1.592.654.

By managing capital the management of the Company constantly monitors that the Company's equity would be not lower than 1/2 of its share capital, as it is required by the Law on Companies of the Republic of Lithuania. As of 31 December 2017 and 2016 the Company met all the above-mentioned requirements.

Capital adequacy ratio is disclosed under Capital Management section of the Financial Risk Management note.

Legal reserve

According to legal acts of the Republic of Lithuania, legal reserve is compulsory. At least 5% of net accounting profit must be annually allocated to legal reserve until it reaches at least 10% of the authorised share capital. At 31 December 2017 the Company's legal reserve was fully formed. Legal reserve may not be allocated as dividends, but may be used to cover future loss.

Dividends per share

	2017	2016
Published dividends (EUR)*	451.534	-
Number of shares (units)**	78.572	78.572
<b>Dividends per share (EUR)</b>	<b>5,75</b>	<b>-</b>

\* The year, dividends are published.

\*\* The date dividends are published.

**NOTE 21 ASSETS ASSIGNED FOR MANAGEMENT (UNAUDITED)**

Assets managed on trustee basis and liabilities accounted for in the off-balance sheet accounts.

	31 December 2017	31 December 2016
I. Guarantees and sureties granted	-	-
II. Managed assets of clients	<b>925.398.073</b>	<b>507.419.158</b>
II.1.1. Clients' cash and cash equivalents	66.727.777	42.879.130
II.1.2. Securities purchased on behalf of clients	147.023.199	115.242.914
II.1.3. Accounted securities of clients, represented at the Central Securities Depository of Lithuania	710.856.107	348.122.306
II.1.4. Pledged securities of clients	-	-
II.1.5. Securities purchased from clients under reverse repurchase agreements	790.990	1.174.808
III. Other off-balance sheet liabilities	-	<b>4.344</b>
IV. Amount of clients' transactions with a third party concluded on derivative financial instruments	<b>2.051.633</b>	<b>3.800.896</b>
V. Financial instruments, based on which clients concluded CFD with a third party	<b>70.137.373</b>	<b>28.766.347</b>
VI. Financial instruments, based on which clients concluded CFD with the company	<b>1.011.290</b>	<b>1.143.104</b>
VI.1. Financial instruments, based on which the company purchased securities as CFD leverage	956.741	708.622
VI.2. Financial instruments, based on which the company concluded CFD with a third party	54.549	434.482
<b>Total</b>	<b>998.598.369</b>	<b>541.133.849</b>



**NOTE 22 CONTINGENT LIABILITIES**

State Tax Inspectorate has not performed any comprehensive tax inspection in the Company. Tax Inspectorate is allowed to inspect accounting books and accounting records and calculate additional taxes and fines, at any time in five years proceeding the reporting financial year. The management of the Company is not aware of any circumstances, which might cause potentially significant liability in this regard.

**NOTE 23 RELATED PARTY TRANSACTIONS**

The parties are considered as related when one party is allowed to control the other party or may significantly affect the other party in making financial and operating decisions. Related parties of the Company are its shareholders and other companies, which are controlled by shareholders of the Company.

In 2017 transactions of the Company with related parties and balances as of 31 December 2017 were as follows:

	<b>Purchase</b>	<b>Sales</b>	<b>Receivables/ loans</b>	<b>Payables</b>	<b>Dividends</b>
Shareholders	-	-	-	-	451.534
Other related entities	-	127.891	165.703	-	-
<b>Total</b>	<b>-</b>	<b>127.891</b>	<b>165.703</b>	<b>-</b>	<b>451.534</b>

In 2017 and 2016 the Company provided accounting and funds units distribution services to funds managed by UAB „Orion asset management“ employees.

Loan agreements with related parties terms are starting from 2018.06.29 to 2019.12.20 with the average interest rate of 2.3%.

In 2016 transactions of the Company with related parties and balances as of 31 December 2016 were as follows:

	<b>Purchase</b>	<b>Sales</b>	<b>Receivables</b>	<b>Payables</b>	<b>Dividends</b>
Shareholders	8.603	520	-	-	-
Other related entities	93.462	123.899	307.821	-	-
<b>Total</b>	<b>102.065</b>	<b>124.419</b>	<b>307.821</b>	<b>-</b>	<b>-</b>

The Company has no guarantees from related parties concerning receivables or payables to related parties. As of 31 December 2017 and 2016 the Company did not account for any impairment on doubtful debts related to receivables from related parties, the balances outstanding were not overdue. Outstanding balances as at the year-end are unsecured and settlement occurs in cash unless agreed otherwise.

**Salary of the management and other payments**

In 2017 the salary of the management was EUR 49 thousand (EUR 150 thousand in 2016). In 2017 the Company's management consisted of 1 employee (2 employees in 2016). In 2017 and 2016 the Company's management was not provided any guarantees, neither paid nor calculated any amounts or asset transfers.

1 June 2017 the Board was formed in the Company. In 2017, the remuneration for the members of the Board amounted to EUR 16 thousand.

**NOTE 24 SUBSEQUENT EVENTS**

On 1 March 2018 member of the Board Mindaugas Strėlis acquired 9.99% of the Company's shares from Orion Managing Partners B.V.

There were no other significant events in the Company after the balance sheet date.