UAB FMĮ Orion Securities

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR 2019, PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

ROSK CONSULTING

INDEPENDENT AUDITOR'S REPORT

To the shareholders of UAB FMĮ Orion Securities:

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UAB FMĮ Orion securities (hereinafter –„the Company") which as at 31 December 2019, comprise the statement of financial position, the statement of the comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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). 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), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of 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 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. Each audit matter and our respective response are described below.

The key audit matter	**Response to the key audit matter**
Recognition and measurement of financial instruments (see notes 12 and 14 to the financial statements)	
As at 31 December 2019 in the statement of financial position the Company accounted for the financial assets which are measured at fair value through profit (loss) and which amounted to EUR 903 thousand and financial assets which are carried at amortized cost that amounted to EUR 622 thousand. Most of the Company's financial instruments are carried at fair value. Fair value is determined according to the publicly available prices for active financial market stock prices or other publicly available information. Part of the financial instruments such as granted loans with fixed interest rate and REPO contracts are carried at amortized cost, using the effective interest rate method.	We conducted these audit procedures, among others: For the selected financial instruments exposures, we have recalculated the carrying amounts at the year-end based on the type of the financial instrument and the corresponding accounting policy requirements: • We have received third-party confirmations for the amounts and actual balances of certain financial instruments; in some cases in third-party (bank) confirmations market prices were quoted; • We have reviewed the financial instruments, measured at amortized costs as at 31 December 2019, and we have assessed the correctness of accounting for these amounts, including interest calculation and value;

The financial instruments and their value in the Company's statement of financial position as at 31 December 2019 comprise a significant amount – about 50% of the Company's assets, therefore we believe that this area is the key audit matter.	• We have recalculated the balances of the respective financial instruments by using publicly available regulated market prices or other available data and we have compared them with the carrying amounts of the respective financial instruments in 31 December 2019 statement of financial position of the Company; • We have reviewed the values of the selected financial instruments at the acquisition date and compared them with the values as at 31 December 2019, and reviewed the changes in the values of the respective financial instruments accounted for in the statement of comprehensive income and in the statement of financial position.
Recognition of income from services and commission fees (see Note 1)	
The Company provides 3 main services: brokerage services in capital markets, corporate finance services and private and investment banking services. Other services (market making and financial instrument accounting and custody) comprise a small part of the Company's revenue. The Company's revenue is accounted for by issuing invoices or charging directly from the customer's accounts according to the contractual commissions and other fees rates. During 2019 the Company's revenue from services and commission fees amounted of EUR 3.4 million. Significant changes related to the transaction volumes, commissions and other fees could have a significant impact on the Company's financial performance for the reporting year. Due to significance of this amount, we believe that this area is the key audit matter.	We conducted these audit procedures, among others: We have performed tests of detail and reviewed third-party approvals for revenue accounted for by issuing invoices to customers or by contracts. We have performed tests of control and tests of detail for revenue that is accounted for on completion of the transaction and for which the payment is charged directly from the customer's account (according to the Company's set rates which are also provided in a contract with a customer). We have reviewed control procedures, related with the completed transactions: • We have selected certain records within revenue in the accounting system and compared them with details of the relevant records in the Company's system where transactions are recorded; • We have checked selected transactions with the transactions in the banking system through which these transactions were made (date, amount, transaction type); • We have checked whether commission fee charged for the respective transaction meets rates applied by the Company; • We have tested the verification controls of the performed transactions – for selected transactions we listened to the customer's orders/confirmations of transactions made by phone call.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with 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.

In addition, our responsibility is to consider whether information included in the Company's annual report, are prepared is consistent with the financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the financial statements, in our opinion, in all material respects:

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with 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 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 auditors' 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
Under decision of the general shareholders' meeting on 12 June 2018 we were appointed for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements was approved by the decision of the general shareholders' meeting for 2 years, and the total uninterrupted period of engagement is 2 years (for the audits of 2018 and 2019).

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report for the financial statements presented to the Company and its management board.

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.

In the course of audit, we have not provided any other services except for audit of the financial statements.

The audit engagement partner for this independent auditor's report is Romanas Skrebnevskis.

Auditor Romanas Skrebnevskis
Auditor certificate No. 000471

ROSK Consulting UAB
Audit company certificate No. 001407

Vilnius, Lithuania
18 March 2020

THE HEAD'S WORD

The year 2019 is marked by declining international relations in the world which significantly adjusted the international trade and performance of leading global economies. Although in the last few months of 2018 capital markets dropped by almost 20%, the strongest rise in company stock prices since 2009 was recorded during the first three months of 2019. In 2018, markets underwent correction provoked by a wave of protectionism across the world. However, without excessive surprises in the general geopolitical or economic situation, capital markets adapted to the new regime and recorded relatively rapid growth, which quickly returned to pre-correction levels. The changed position of central banks contributed to this, when interbank interest rates started to fall again, other incentives were applied, and trade relations between the United States and China began to stabilise.

In 2019, an optimistic mood could be seen both among consumers and investors. Most asset classes that were clearly overvalued throughout the entire year attracted more and more new investments. However, this optimism was wiped away by two "black swans" over several days of March of the year 2020: pandemic of a new influenza virus (Corona) that came from Asia and oil price wars where oil price dropped by 30 percent in just one day. Combination of these two factors pushed away the capital markets into a territory that shows recession. Tourism, transport, aviation, energy and banking sectors are the most sensitive to these new challenges.

It is difficult to predict the real impact of these new events on Lithuanian and global economies in the beginning of 2020, however it is clear that the impact will be quite significant. Strong domestic consumption has been the driving force of Lithuanian economy over the past years, however measures that were taken to control the pandemic (closed educational institutions, cancelled events, cancelled flights and even closed borders) will have a direct impact on Lithuania's GDP. All of this should significantly affect inflation, which was still rather high in Lithuania (2.5%). In addition, employee expectations for salary increases may remain just a pleasant memory. On one hand, oil price reduction should decrease household costs, but, on the other, economic recession moods can force the consumer to postpone his spending, thus initiating a deflationary spiral.

Most events (upcoming new US presidential election, finally implemented BREXIT, and ambitious EU plans for Europe to become "green" until 2050) were overshadowed by the new virus. Historically, sudden recessions in capital markets have lasted about half a year, therefore we believe that this time to the economies will be revived by strong government incentives. All the more so since all the economy's rescue mechanisms are in place after the 2008 crisis, they just need to be used. Every crisis also opens up new opportunities. Adjustments in the prices of various assets make them attractive and investors return to the markets. This will be the case this time too. We wish for our clients to weigh the investment risks, diversify them between different asset classes, and consult with our investment advisors. And stay healthy!

Sincerely,
Director Alius Jakubėlis
18 March 2020
Vilnius

Competitive environment

In 2019, according to the data from the Bank of Lithuania, 8 financial brokerage firms operated in Lithuania, with total assets of EUR 8.7 million, whereas the total clients' assets owned by the right of trust exceeded EUR 1 billion. Orion Securities took the leading position according to the clients' assets owned by the right of trust and according to its own assets. Several newly established brokerage firms should enter the market, we also see increasing competition from fintech type start-ups which provide or plan to provide securities trading services to retail investors.

MAJOR EVENTS IN 2019

- Procurement of Danske bank Lithuanian and Estonian client portfolio.
- Airport hotels fund units were distributed in 2019. The fund's new sub-funds will invest in the development of hotel projects near Krakow and Riga airports. This fund has attracted a lot of interest from investors. The sub-funds attracted investments of over 5 million and 7 million euros.

ABOUT THE COMPANY

UAB FMĮ Orion Securities is the largest non-banking financial brokerage 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. Orion Securities is a member of Vilnius, Riga, Tallinn and Warsaw stock exchanges, and 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. Company code: 122033915.

On 12 January 2007, the private limited liability financial brokerage company Baltijos Vertybiniai Popieriai officially changed its name to 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 liability company, holding a category A financial brokerage firm 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 transactions 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.
- provide investment services, engage in investment activities and provide additional services relating to financial instruments, assets or other objects to which the derivative financial instruments, specified in clauses 5, 6, 7 and 10 of Article 3(15) of the Law on Markets in Financial Instruments of the Republic of Lithuania, are linked, provided that the supplied investment services or additional services or executed investment activities are related to these derivative financial instruments.
- Provide foreign currency exchange services when they are related to the provision of investment services
- Safeguard financial instruments, account for and manage them at the expense of clients, including custody of property and other related services such as management of money or financial collateral, and excluding management of securities accounts at the highest level in accordance with Chapter VI of the Law on Markets in Financial Instruments of the Republic of Lithuania
- Conduct investment research, perform financial analysis, or provide other general recommendations related to transactions regarding financial instruments
- Provide consultations on capital structure, business strategy and other related matters, as well as provide advice and services relating to the reorganisation and acquisition of companies

- Provide investors with credit or loans which the investors could use to conclude transactions in one or several financial instruments, and the company providing the credit or loan can be involved in the transaction conclusion process
- Provide services related to the distribution of financial instruments

Background:

On 31 December 2019, the Company had 25 employees.

Alius Jakubėlis is the Director of the Company.

The Company's Board consists of 4 persons. Chairman of the Board - Alius Jakubėlis, members - John Egil Skajem, Mindaugas Strėlis and Tadas Volbikas.

Information about the management positions held by the Director and members of the Board in other companies and organisations:

Alius Jakubėlis		
1	UAB FMĮ Orion Securities, company code 122033915, address A. Tumėno 4, Vilnius (main workplace)	Chairman of the Board, Director
2	Gošė Asociacija, company code 302620864, address Smilgų str. 8, Avižieniai, Vilnius district.	Member of the Board
3	Lithuanian Financial Brokers Association, company code 122253313, address Konstitucijos Ave. 23, Vilnius	President
4	UAB Suprema LT, company code 304135030, address S. Fino str. 6-3, Vilnius	Director
5	Vilnius University Fund (Endowment), company code 304222713, address Universiteto str. 3, Vilnius	Chairman of Investment Board

Mindaugas Strėlis		
1	UAB FMĮ Orion Securities, company code 122033915, address A. Tumėno 4, Vilnius (main workplace)	Member of the Board, Head of Wealth Management Unit

Tadas Volbikas		
1	UADBB Legator, company code 145347184, address V. Bielskio str. 30A, Šiauliai (main workplace)	Director General
2	UAB FMĮ Orion Securities, company code 122033915, address A. Tumėno 4, Vilnius	Member of the Board
3	UADBB Legator, company code 145347184, address V. Bielskio str. 30A, Šiauliai	Member of the Board
4	Aštuoni Stebuklai, company code 3045336557, address Blindžių 9A-9, Vilnius	Director General
5	Gedimino 22 Turtas, company code 304104704, address Gedimino 22, Vilnius	Director General

John Egil Skajem		
1	UAB FMĮ Orion Securities, company code 122033915, address A. Tumėno 4, Vilnius	Member of the Board
2	Orion Oslo AS company code 993742473, address Thunes vei 2, 0274 Oslo (main workplace)	Chairman of the Board, Director
3	Toccarium Holding AS company code 982607353, address Thunes vei 2, 0274 Oslo	Chairman of the Board
4	Zenith Energy AS company code 923803203, address Thunes vei 2, 0274 Oslo	Chairman of the Board
5	CNE AS company code 917088845, address Rolfsbuktveien 17, 1364 Fornebu	Chairman of the Board
6	CNE Water Treatment AS company code 917725357, address Rolfsbuktveien 17, 1364 Fornebu	Chairman of the Board
7	CNE Engineering AS company code 916069626, address Rolfsbuktveien 17, 1364 Fornebu	Chairman of the Board

In 2019, the Company's revenues from operating activities were EUR 3.5 million. Client-managed funds and securities.

Other information:

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 activities. In addition, the Company is not subject to any environmental requirements. FMĮ Orion Securities has a branch in Norway.

All additional information and subsequent events are disclosed in the notes to the financial statements.

Services provided

The Company focuses on three key services:

- brokerage in capital markets;
- corporate finance;
- private and investment banking;
- wealth management;
- the follow two service groups are supporting activities:
  - market making;
  - financial instrument (FI) accounting and custody.

BROKERAGE IN CAPITAL MARKETS

Orion Securities provides the possibility to trade in all the major global stock markets by making real time purchases.

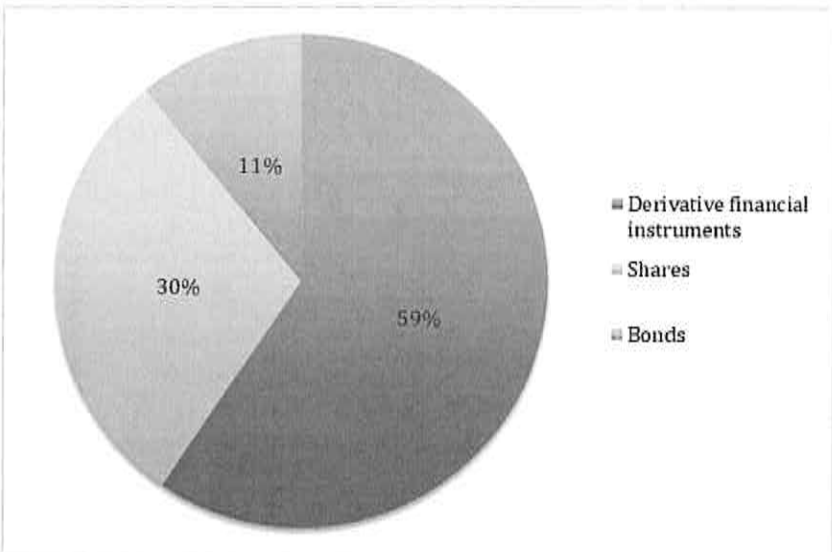
We offer clients the following services:

- brokerage in purchasing and selling FI (on behalf of and at the expense of clients);
- brokerage in purchasing and selling FI (on behalf of and at the expense of the company);
- entering into REPO and RE-REPO transactions;
- On-line trading system.

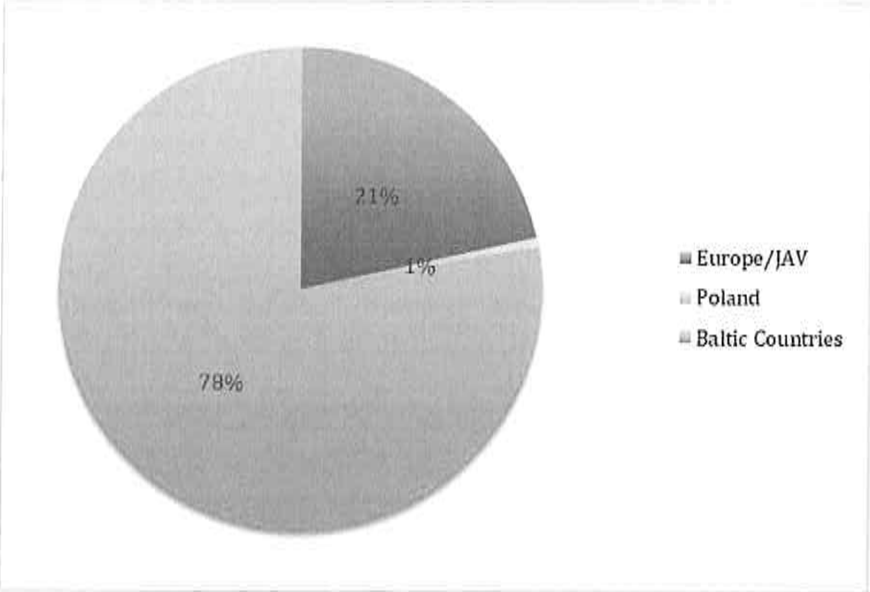
The range of trade in financial instruments includes the following:
- Bonds
- Shares
- Currencies and raw materials
- Futures and forwards
- Options
- Contracts for difference

Orion Securities is a direct member of the stock exchanges of Vilnius, Riga and Tallinn.

1. Brokerage in capital markets, turnover according to products



2. Brokerage in capital markets, turnover according to region



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 help 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:

- Distribution of various investment funds and bonds;
- Consulting services on investment related matters;
- Initial consultations on matters related to corporate finances;
- Mediation in business purchase/sales transactions.

Alternative investment products were distributed in 2019: Private capital and debt funds, real estate funds and corporate bonds. The division focused on expanding its business client base by offering them business sale or purchase brokerage services, and by offering to attract additional capital for business development. In 2019, the number of employees of the division and its generated income have rapidly increased.

CORPORATE FINANCE

The team of the Corporate Finance Division advises companies which enter into purchase and sale, restructuring, business valuation, and alternative borrowing transactions, as well as provides consulting on corporate financial management.
The Corporate Finance Division offers the following services:

- consulting on mergers and acquisitions;
- consulting on sale of business;
- valuation of companies or their divisions;
- share and bond offerings;

- concentration of shareholdings;
- initial public offerings;
- other financial and consulting services.

In 2019, the Corporate Finance Division was engaged in more than 20 capital attraction, merger, sales and consulting projects. 1 debt securities distribution, 1 private share distribution, and 2 business sale transactions were successfully implemented over the year. The total value of completed transactions exceeded 20 million euros. In 2020, we plan to conclude more public and private borrowed capital attraction transactions and business sale transactions.

WEALTH MANAGEMENT

Wealth management is a consultation process during which a professional team will help preserve, diversify and increase existing assets by working with the client or making decisions on behalf of the client. The main goal is long-term partnership which would not be limited to the selection of financial instruments, and would cover various fields, including asset planning or risk management.

Even though 2019 was the first year of operation for the Wealth Management Unit, it had a successful start - the value of assets under trust management has already exceeded 20 million euros. Other services provided to clients this year: search for strategic and financial partners, project management, development of philanthropic activities, succession planning, and consultations in matters of transfer of property. In order to ensure and maintain its high quality of services, Orion Wealth Management will continue focusing on the portfolio of 5-10 clients.

OTHER SERVICES

ACCOUNTING

The Company has been providing services of share and bond accounting, representation in the depository, dividend payment, registration of transactions outside the stock exchange, and other services to private and public limited liability companies. In 2019, share accounting services were provided to around 350 Lithuanian enterprises.

The Accounting Division offers the following services to companies:

- accounting of the shares and bonds of private and public limited liability companies
- registration of the issue of securities at the depository, and client representation during material events and in other cases
- provision of lists of shareholders to companies
- mediation when dividends are paid out to shareholders of the company, and submission of notifications regarding the latter
- registration of unlisted over-the-counter transactions of private and public limited liability companies
- we help purchase shares from small shareholders

We provide consultations to companies regarding general meetings of shareholders and other related matters.

The Accounting Division provides NAV calculation and accounting services for investment funds, as well as fund member accounting services.
In 2019, we began providing asset custody services to the investment company, and plan to provide depository services to investment funds in the future.

MARKET MAKING

In 2019, the Company participated in the Baltic and Warsaw Stocks Market Making Programme. The service was provided to 9 issuers: AUGA group AB, City Service SE, East West Agro AB, Grigeo AB, Inter RAO Lietuva AB, Novaturas AB, Olainfarm AS, OMX Baltic Benchmark Fund and Vilkyškių Pieninė AB. Total revenue from the service increased by 40% in 2019. In 2019, the share trade turnover generated by Orion Securities as a market maker reached EUR 6.7 million, the average generated monthly turnover reached EUR 558.3 thousand. The market maker made over 7.6 thousand orders (30.4 orders per day) and concluded 5.8 thousand transactions (23.3 transactions per day). The average share of turnover of formed positions reached 24%. The contribution of Orion Securities as a market maker to the liquidity of stock trading was much larger than of others Nasdaq Baltic market makers.

FORECAST FOR 2020

This year we had to face a completely unexpected and new threat – the Corona virus. If half a year ago there were fears about political decisions, national debts, etc., at the beginning of 2020, everyone's eyes were on China, but for completely different reasons.

Both the International Monetary Fund and other institutions named the year 2019 as the possible "bottom" from which everything should begin to rise in 2020, however they could not assess the risk of a new virus. The biggest issue that we have to face is the uncertain extent of the problem. The world economy is significantly more dependent on the Chinese market than it was 18 years ago when SARS broke out. And up to 10 times more people are travelling than before which can make the spread of the virus unmanageable. The disruption of China's supply chains would affect not only the Chinese economy but all other countries whose companies manufacture their products in China. If these threats are managed, it is likely that this year will be good for the markets, as the US, which sets the tone, is preparing for its elections and, historically, this period gives markets the green light.

GDP growth in Lithuania reached 3.9% in 2019 and exceeded previous predictions (3.5%), while world GDP grew at a slower pace than that of Lithuania and reached approximately 2.9%. The International Monetary Fund predicts that Lithuania's GDP growth will be slightly lower in 2020, reaching about 3.3%. The slowdown of economic growth in Lithuania is associated with a slowdown in the euro area as a whole and a rather strong dependence on the German market.

Despite the slowdown in 2019, strong domestic demand and better-than-expected export performance will continue to stimulate Lithuania's economic growth. Strong domestic consumption and investments are also considered as major growth factors. Although sustainable growth is continued to be forecast for the Lithuanian economy, however, its growth rates will no longer be as rapid and balanced as before. Weakening macroeconomic indicators of Lithuania: slower growth in manufacturing, import and export, and further declining confidence indicators will contribute to the slowdown of growth.

The European economy has been growing for seven years in a row. The European Commission and the International Monetary Fund predict that similar but slower growth rates will remain in 2020 and 2021. Labour markets remain strong and unemployment continues to decline. According to the data of November, the euro area unemployment rate currently stands at 7.5% (unemployment rate in Lithuania was 8.4 % based on the data of December).

Inflation in the euro area has slowed this year due to lower energy prices and a "benevolent" desire of companies to cover their wage costs from their margins rather than pass them on to clients. It is predicted that this year inflation in the euro area will be 1.2%, while inflation in the European Union will stay at 1.5% this year and the next.

While, in 2018, markets have experienced a correction triggered by a worldwide wave of protectionism, there were no unexpected surprises in the overall geopolitical and economic situation, therefore capital markets have adapted to the new order and recorded relatively rapid growth, which quickly returned to pre-correction levels. At the end of 2019, rapid growth began to raise investor fears about potential bubble formation in capital markets.

The IHS Markit Management Index for the euro area in December showed that a 46-point limit was reached signalising of stagnating euro area performance - the lowest value since mid-2012 was reached. It can also be added that Germany, the main economic force of the euro area, is experiencing a general economic downturn that has hit hard in the industrial and chemical sectors. We should also not forget France whose Manufacturing PMI index reached the limit of 50, and Spain whose industry is shrinking as well.

The euro area inflation rate of 1% in November is also worrying. This inflation rate prompted the ECB to revise its previously set annual inflation target of 2%. The ECB has limited possibilities to continue the monetary policy pursued to date - there is no way to further lower the base interest rate, because it has already been zero for a long time, and the ECB may also be short of government securities to invest in, all of which result in decreasing ECB's arsenal of economic incentives. As a result, Europe may be the first to face the deflationary effect of Japan. The unemployment rate in the euro area provides some positivity - unemployment in the euro area stands at just 7.4%, however, it is doubtful whether this extreme point will be sustained in the long term due to the euro area's declining economies.

US Treasury bond yield spread of 10 – 2 years reached (converted to) a negative value at the end of August of the year 2019. In September, after the bond yield "conversion", a retaliatory meeting of the Federal Reserve Bank of the United States took place during which a decision was made to reduce the base interest rate for the second time since the end of the last financial crisis, and thus try to deal with the threatening "recession prophet", as well as respond accordingly to economic growth rates in the US and other Western countries which have begun to show economic slowdown. Today, the yield spread has moved above negative value to +0.34%.

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 emphasised in order to successfully implement the European Union MiFID 2 directives 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. Organisational 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.

Prevention of money laundering and terrorist financing

The Company collects and stores information related to the monitoring of the business relations of clients for the prevention of money laundering and terrorist financing. The Company pays a lot of attention to the prevention of money laundering and terrorist financing for the proper implementation of legal acts. The Company is continuously improving its internal processes and systems by paying particular attention to them.

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
  Financial markets have grown significantly in 2019, reaching record levels. There are currently many geopolitical uncertainties in the world, therefore the likelihood of market correction remains high. Continuous monitoring of markets and response to events is one of the components of the risk

management system. Forecasting of economic events and preparation for potential shock is an important and inseparable part of the Company's operations.

- Systemic risk
  Over the past few years, the Lithuanian financial market has experienced a lot of shocks that were 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 its internal processes and implements system upgrades. Regular staff training and constant process optimisation is arranged. This allows minimising 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 the 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. Proper selection of a counterparty ensures security and high quality services. The counterparty credit risk is one of the key risks of the Company.

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STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019	2018
Income from services and commission fees		3.406.088	2.922.130
Costs of services and commission fees		(510.467)	(863.637)
Net income from services and commission fees	1	**2.895.621**	**2.058.493**
Interest income		131.881	229.749
Interest expense		(22.938)	(29.768)
Net interest income	2	**108.943**	**199.981**
Net profit (loss) of trade in securities and derivatives and transactions in foreign currency	3	39.897	11.241
Change in impairment and other provisions	4	(16.107)	(13.093)
Personnel expenses	5	(1.274.806)	(904.452)
Depreciation and amortisation	6	(32.200)	(25.652)
Administrative expenses	7	(1.002.987)	(808.829)
Other income (expenses)		-	45.335
Profit (loss) before taxation		**718.361**	**563.024**
Income tax income (expenses)	9	(106.289)	(101.803)
Net profit (loss)		**612.072**	**461.221**
Other comprehensive income, net of taxes		-	-
Total annual comprehensive income, net of taxes		**612.072**	**461.221**

Accounting principles and notes provided in pages 21 - 48 are an integral part of these financial statements.

These Financial Statements were signed on: 18 March 2020

Director
Alius Jakubėlis

Dainius Minelga
Authorised accountant

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Non-current intangible assets	15	6.162	12.498
Non-current tangible assets	15	104.543	85.145
Deferred income tax assets	9	12.470	5.266
Other non-current financial assets	14	295.872	10.871
Total non-current assets		**419.047**	**113.780**
Current assets			
Loans	14	337.347	352.358
Derivative financial instruments	13	976	15.449
Securities measured at fair value through profit (loss)	12	903.301	1.184.594
Trade receivables and prepayments	11	361.262	412.374
Other current assets	10	261.491	64.474
Cash and cash equivalents	8	791.113	846.295
Total current assets		**2.740.490**	**2.875.544**
TOTAL ASSETS		**3.074.537**	**2.989.324**
LIABILITIES AND EQUITY			
Share capital	20	1.592.654	1.592.654
Legal reserve	20	159.292	159.292
Retained result		616.487	464.415
Total equity		**2.368.433**	**2.216.361**
Non-current liabilities			
Leasing (finance lease) liabilities	16	62.105	51.100
Total non-current liabilities		**62.105**	**51.100**
Current liabilities			
Loans received	16,17	182.473	290.152
Derivative financial instruments	13,17	91.961	18.737
Other financial liabilities	17	78.613	23.322
Trade debts		84.911	193.746
Payroll liabilities	18	118.755	100.068
Income tax payable		34.091	23.127
Other current liabilities	19	53.195	72.711
Total current liabilities		**643.999**	**721.863**
TOTAL EQUITY AND LIABILITIES		**3.074.537**	**2.989.324**

Accounting principles and notes provided in pages 21 - 48 are an integral part of these financial statements.

These Financial Statements were signed on: 18 March 2020.

Director
Ąlius Jakubėlis

Dainius Minelga
Authorised accountant

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Retained result	Total
31 December 2017	**1.592.654**	**159.292**	**358.194**	**2.110.140**
Net profit	-	-	461.221	461.221
Other comprehensive income	-	-		
Total comprehensive income	-	-	**461.221**	**461.221**
Dividends declared	-	-	(355.000)	(355.000)
31 December 2018	**1.592.654**	**159.292**	**464.415**	**2.216.361**
Net profit	-	-	612.072	612.072
Other comprehensive income	-	-		
Total comprehensive income	-	-	**612.072**	**612.072**
Dividends declared	-	-	(460.000)	(460.000)
31 December 2019	**1.592.654**	**159.292**	**616.487**	**2.368.433**

Accounting principles and notes provided in pages 21 - 48 are an integral part of these financial statements.

These Financial Statements were signed on: 18 March 2020.

Director
Alius Jakubėlis

Dainius Minelga
Authorised accountant

CASH FLOW STATEMENT

	Notes	2019	2018
Cash flows from operating activities			
Net profit		612.072	461.221
Recovery of non-monetary expenses (income):			
Depreciation and amortisation	15	42.156	25.862
Interest expense	2	22.938	29.768
Interest (income)	2	(131.881)	(229.749)
Change in the impairment of amounts receivable	11	(14.097)	(901)
(Profit) from the sale of non-current tangible and intangible assets		-	-
Change in deferred income tax	8	(7.204)	11.061
Other non-cash expenses (income)		89.487	72.059
		613.471	**369.321**
Changes in working capital:			
Decrease (increase) of trade receivables and pre-payments	11	65.209	(117.031)
(Decrease) increase of trade debts		(108.835)	62.911
Increase (decrease) in employment-related liabilities		18.687	7.971
Increase (decrease) in other assets		(197.018)	50.241
Increase (decrease) in other payables	19	(19.516)	25.829
Increase (decrease) in income tax payable		10.964	11.095
Paid income tax		(90.743)	(79.559)
Net cash flows from operating activities		**(321.252)**	**330.778**
Cash flows from investing activities			
(Acquisition) of non-current intangible, tangible assets and investments	15	(26.002)	(18.293)
(Transfer) of non-current intangible, tangible assets and investments	15	2.849	-
(Granting) of loans		(1.597.510)	(1.300.127)
Recovery of loans		1.327.521	1.509.672
Change of derivative financial instruments		87.697	(77.331)
(Acquisition) of trade securities		(27.238.538)	(24.720.053)
Transfer of trade securities		27.519.831	24.551.199
Dividends received	3	1.256	7.475
Interest received	2	131.881	229.749
Net cash flows from investing activities		**208.985**	**182.291**
Cash flows from financing activities			
Loans received		3.651.070	2.242.651
Loans (repaid)		(3.750.800)	(2.429.804)
Change in other financial liabilities	17	55.291	(17.870)
Interest (paid)	2	(22.938)	(29.768)
Dividends (paid)		(460.000)	(355.000)
Lease (finance lease payments)		(29.009)	(13.859)
Net cash flows from financing activities		**(556.386)**	**(603.650)**
Net increase (decrease) of cash flows		**(55.182)**	**(90.581)**
Cash and cash equivalents at the beginning of the period		846.295	936.876
Cash and cash equivalents at the end of the period		791.113	846.295

Accounting principles and notes provided in pages 21 - 48 are an integral part of these financial statements.

These Financial Statements were signed on: 18 March 2020.

Director
Alius Jakubėlis

Dainius Minelga
Authorised accountant

GENERAL INFORMATION

UAB FMĮ Orion Securities (hereinafter - the Company) is a private limited liability company registered in the Republic of Lithuania. Its registered office address 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 2019 and 2018, the Company's shareholders were as follows:

	31 December 2019		31 December 2018	
	Number of shares held	Percentage	Number of shares held	Percentage
Orion Managing Partners B.V (Registered office address: Minderbroederssingel 11 6041 KG, Roermond, The Netherlands Legal entity code: 856097378)	55.008	70.01 %	55.008	70.01 %
UAB Suprema LT (Registered office address: S. Fino str. 6-3, Vilnius, Lithuania Legal entity code: 304135030)	15.714	20 %	15.714	20 %
Mindaugas Strėlis	7.850	9.99 %	7.850	9.99 %
Total	78 572	100 %	78 572	100 %

All shares whose nominal value per each is 20.27 euros are ordinary and were fully paid as of 31 December 2019 and 2018. Authorised share capital remained unchanged in 2019 and 2018. The Company did not acquire its own shares.

In 2019, the Company had an average of 24 employees in Lithuania (in 2018 - 24 employees).
In 2019, the Company had an average of 5 employees in its Norway branch (in 2018 - 5 employees).

The management of the Company approved these financial statements on 19 March 2019; the shareholders may approve or not approve these annual financial statements and may ask the management to prepare new financial statements.

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

Category A license grants the Company the right to provide the following investment services:

- accept and transfer orders;
- execute orders at the expense of clients;
- execute transactions 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 providing the following additional services:

- distributes units of investment funds;
- secures, accounts for and manages financial instruments;
- grants loans intended to allow the client to carry out transactions with financial instruments, if the grantor is associated with these transactions;
- carries out an analysis and evaluation of companies.

ACCOUNTING PRINCIPLES

The main accounting principles based on which these financial statements were prepared 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 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 and derivative financial instruments measured at fair value through profit (loss).

Functional and presentation currency

Amounts provided in these financial statements are presented in local currency - euro (EUR), which is also the functional currency of the Company.

Application of new and revised International Financial Reporting Standards

Effective standards (as of 1 January 2019) and their interpretations

The following are the effective standards issued by the International Accounting Standards Board (IASB) and adopted by EU, as well as their supplements and interpretations:

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019):

  As of 1 January 2019, the Company began applying IFRS 16 and recognised the rights-of-use assets under the non-current tangible assets item. The Company chose to apply the simplified transition method and did not recalculate the comparative financial information for the year before the implementation of the standard.

  According to IFRS 16, a contract is a lease contract or includes lease if it grants the right to manage the use of identified assets for a certain period of time in exchange for remuneration. The new model requires that, under such contracts, the lessee would recognise the right-of-use assets and lease liabilities. The right-of-use asset is depreciated, while liability accrues interest. Thus, in the case of most lease transactions, there will be upfront costs, even when the lessee pays constant annual lease fees.

  The new standard sets limited exceptions for lease transactions which include:
  - lease transactions when the lease period does not exceed 12 months, and the transaction does not provide purchase opportunities; and
  - lease transactions when the main assets are of low value (small-ticket leases).

  Application of the new standard had no significant impact on lessor accounting, and separation between operational and financial lease has been maintained.

  The Company's financial statements are mostly affected by accounting for building leases. On 1 January 2019, the Company accounted for the following impact resulting from transition to IFRS 16: Right-of-use assets - 32 thousand euros, lease liability - 32 thousand euros. There was no significant impact on the profit and loss statement, however there were changes in the presentation in the aforesaid statement because amortisation expenses of right-of-use assets and lease liability interest expenses are shown instead of lease expenses.

- Amendments to IFRS 9: Prepayment functions with negative compensation (effective for annual periods beginning on 1 January 2019),
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on 1 January 2019);
- Amendments to IAS 28: Investments in associates and joint ventures (effective for annual periods beginning on 1 January 2019);
- Amendments to IAS 19: Plan change, reduction or adjustment (effective for annual periods beginning on 1 January 2019);
- Amendments to various standards "Improvements to IFRS Standards (2015–2017 Cycle)" (effective for annual periods beginning on 1 January 2019),

Application of the amendments to standards listed above, excluding IFRS 16, had no material impact on the Company's financial statements.

Standards issued by IASB, approved in EU, but not yet effective

The Company did not apply these IFRS which were already approved on the date these financial statements were signed, but not yet effective:

- Amendments to the concept of references to IFRS standards (effective for annual periods beginning on 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on 1 January 2020).

The Company believes that the application of these standards, effective standard amendments and interpretations will not have a material impact on the Company's financial statements during their initial application period.

Standards and interpretations issued by IASB, but not yet approved in EU

There are almost no differences between IFRS that are currently adopted in EU and the standards that were approved by the International Accounting Standards Board (IASB), excluding the following standards, amendments to the effective standards and their interpretations which were not yet approved in the EU prior to the approval of these financial statements (effective dates specified below apply to IFRS in full scope):

- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on 1 January 2020);
- IFRS 17 Insurance Contracts (effective for annual periods beginning on 1 January 2021);
- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on 1 January 2022)

The Company believes that the application of these standards, effective standard amendments and interpretations will not have a material impact on the Company's financial statements during their initial application period.

Financial assets

Financial assets are cash and cash equivalents, contractual rights to receive cash or other financial assets, contractual rights to exchange financial instruments with another party on potentially favourable terms, and the equity instruments and contracts of other companies under which the Company's own equity instruments will or may be used as payment.

Financial assets are divided into:
- measured at amortised cost;
- measured at fair value, the change of which is recognised as other comprehensive income;
- measured at fair value, the change of which is recognised as profit or loss.

All ordinary purchases and sales of financial assets are recognised on the settlement day, which is the day when the Company undertakes to buy or sell assets.

Financial assets are measured at amortised cost when the following criteria are met:

- financial assets are held under a business model, the purpose of which is to hold financial assets in order to collect the cash flows established in the contract;
- cash flows of financial assets may arise on the dates established in the conditions of the contract, which are simply the payments of interest of the main amount and main uncovered amount.

Loans and receivables

Loans and amounts receivable are non-derivative financial assets with fixed payments or payments calculated using an established method, which are not sold in the active market. After initial recognition, loans and amounts receivable are later accounted for at amortised value by using the effective interest rate method, less any impairment losses. Amortised value is calculated by including all acquisition discounts or supplements, and covers fees that are inseparable from the effective interest rate and transaction price. Profit or loss is recognised in the statement of comprehensive income when such assets are written off, the value of such assets decreases or the assets are amortised.

Loans and short-term receivables are accounted for after measuring their impairment.

Loans and amounts receivable are recognised in the statement of financial position on the day they are paid out, when money is transferred to the borrowers. From the day of signing of the loan contract 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 received and amounts payable, received from banks and other clients, and are accounted for using the amortised cost method. The difference between sale and repurchase price is accounted for as interest, and accrued over the life of the contract using the effective interest rate method.

Financial assets are measured at fair value, the change of which is recognised as other income, when both of the following criteria are met:

- financial assets are held under a business model, the purpose of which is to collect the cash flows established in the contract, and sell the financial assets;
- cash flows of financial assets may arise on the dates established in the conditions of the contract, which are simply the payments of interest of the main amount and main uncovered amount.

Financial assets measured at fair value, the change of which is recognised as profit or loss, include financial assets which are not classified as financial assets measured at amortised cost and financial assets measured at fair value, the change of which is recognised as other comprehensive income, under the financial asset groups specified in the paragraphs. During initial recognition, financial assets may be irrevocably attributed to financial assets measured at fair value, the change of which is

recognised as profit or loss, if such designation eliminates or reduces contradictions in the measurement and recognition of financial instruments (accounting discrepancies). These financial assets cannot be transferred to another financial asset group later on.
Changes in far value are accounted for as net profit (loss) from securities transactions. Most of the Company's financial assets are assigned to this category.

Financial asset category is determined during the acquisition of these assets.

Derivative financial instruments

Derivative financial instruments including forwards, contracts for differences - CFD (issued or acquired by the Company) 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 whose variables include market data. Derivative financial instruments are recognised 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 it 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 derivative transactions (CFD), even though providing an effective hedging of economic risk according to the risk management policy of the Company, are accounted for as derivative financial instruments held for trade purposes, by accounting for the changes in their fair value as net profit (loss) from transactions in derivative financial instruments of the reporting period.

Accounting of CFD transactions entered into with a third party. In the case a price of a certain CFD instrument is lower compared to the initial price registered on the date the transaction was made, the price difference on the transaction closing and settlement date is recorded under liabilities items as a financial liability to a client. Upon settlement with the client, this liability is offset. If the price of a certain CFD drops, the price difference on the transaction closing and settlement date is recorded under assets items as receivables from a client for CFD. Upon settlement with the client, these 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. Every time when preparing the financial statements, these assets are measured at fair value, by recording an increase under the liabilities items, and a decrease under the assets items. On the transaction closing and settlement date, these securities are sold. In this case, the CFD result includes results of revaluations and the amount of a profit or loss from sale. If the result is positive (price of securities increased), financial liability to a client is recorded. Upon settlement with the client, this 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, these receivables are annulled.

Changes in the fair value of derivatives held for trading are included in net profit (loss) from transactions in 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 measured at fair value through profit or loss. These embedded derivatives are measured at fair value by accounting for fair value changes in the statement of comprehensive income of the reporting period.

Fair values of derivative financial instruments are disclosed in Note 13.

Impairment of financial assets

The Company shall recognise impairment from expected credit losses (ECL) for the following financial assets which are not measured at fair value through profit or loss: loans and advances to clients; debt securities; financial guarantee contracts.

Impairment losses are not recognised for equity securities.

The expected credit losses of financial assets are measured at an impairment amount equal to:
- 12 months of expected credit losses; these are expected credit losses resulting from failure to fulfil one's financial obligations, which are possible within 12 months after the date of the financial statements, or
- all expected credit losses; these are all expected credit losses resulting from all possible failures to fulfil one's obligations during the financial asset validity period.

Impairment of all expected credit losses for financial assets is measured if the credit risk for such financial assets has significantly increased after initial recognition. Expected credit losses for all other financial assets are measured by considering the 12 months of expected credit losses.

Expected credit losses is the probable weighted estimate of the current value of credit losses. They are measured as current value difference between cash flows arising from contractual flows received by the Company, and cash flows, which the Company expects to receive, arising due to a number of future economic events, discounted according to the effective interest rate of the financial assets.

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 (excluding derivative financial instruments, see above), and the difference between the received funds and the amount which will have to be paid within the term of the debt is included in the profit or 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

Financial assets (or, where necessary, financial asset part or part of the similar financial asset group) are derecognized and terminated when:

- the period of the right to financial asset cash flows expires; or
- the Company transferred its rights to financial asset cash flows or retained its right to cash flows, but assumed an obligation to pay the entire amount to a third party according to a transfer agreement within a short amount of time; and
- the Company either (a) transferred basically all the risk and benefit related to financial asset ownership, or (b) did not transfer, not retained the risk and benefit related to financial assets, but transferred the control of these assets.

When the Company transfers its rights to asset cash flows, but does not transfer the risk, benefit and asset control related to asset ownership, the assets are recognised to the extent the Company is related to them.

Financial liabilities

Financial liabilities are derecognized when they are covered, cancelled or their period of validity has expired.

When the current financial liability for the same creditor is replaced with another liability, with essentially other conditions, or the conditions of the current liability are essentially changed, such changes are recognised as the derecognition of current liabilities and the recognition of new liabilities, by recognising their difference as profit (loss) in the statement of comprehensive income.

Netting

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, other valuables, bank account balances and short-term securities with the original maturity term of less than 3 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.

Recognition of income and expenses

The Company recognises income at an amount which matches the remuneration, the right to which the Company hopes to receive in exchange for the transferred goods or services.

Contracts with clients are accounted for by the Company only when all the following criteria are met:

- the contract was approved by the contractual parties (in writing, orally, or according to other usual business practices) which undertake to fulfil their respective obligations;
- the Company is able to identify the rights of each party regarding the goods or services to be transferred;
- the Company is able to identify the payment conditions applied to the goods or services to be transferred;
- the contract has a commercial basis (i.e. it is likely that the contract will change the periodicity or amount of future cash flows of entities, or the risk related to them), and it is likely that the Company will receive remuneration, the right to which will be granted in exchange for goods or services that will be transferred to the client.

Income from contracts with clients is first of all comprised of fees relating to services. They are included in the Commission Income item of the statement of comprehensive income.

Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expenses' 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 financial assets and liabilities, and of allocating the interest income and interest expenses over the relevant period. The effective interest rate is the rate that discounts 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 measures cash flows by considering all provisions of the financial instruments (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.

Service and commission income and expenses

Service and commission income and expenses are generally recognised on an accrual basis when the service has been provided.

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

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 during the reporting period when income related to these expenses is earned, irrespective of the time the money was spent. In cases when expenses incurred during the reporting period cannot be directly linked to the specific income and will not provide income during future accounting periods, these expenses are recognised as expenses for the period during which they were incurred. The amount of expenses is usually accounted for as the amount paid or due.

Lease

Upon signing the arrangement, the Company determines whether an arrangement is a lease or it contains a lease. The Company recognises the right-of-use lease assets and respective lease liabilities based on all the lease arrangements where the Company is the Lessor, excluding short-term lease (lease with a term of 12 months or less) and low-value asset lease (e.g., lease of tablets and personal computers, small office furniture and phones). For this lease, the Company recognises lease payments as operating expenses by using the straight-line method over the lease term, excluding cases when another systematic method is more representative of the time period during which the economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present amount of lease payments which has not yet been paid, and the aforesaid amount is subsequently discounted using the interest rate provided in the lease agreement. If no interest rate is specified in the lease agreement, the Company shall use its borrowing rate.

Lease liabilities are measured by increasing the carrying value to reflect the related interest rate (by using the effective interest rate method), and by decreasing the carrying value to reflect the lease payments made.

Right-of-use lease assets are comprised of initial assessment of the relevant lease obligation, and lease fees paid at the beginning of the day or earlier minus any lease discounts and any initial direct costs. They are later measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the main assets, by considering which one is shorter. If, after the lease of assets, the right of ownership to the main assets is transferred or the costs of right-of-use lease assets reflect the fact that the Company expects to assess the asset acquisition option, the right-of-use assets concerned are depreciated over the service life of the main assets. Depreciation starts from the date of commencement of the lease of assets.

Non-current intangible assets

Intangible assets are accounted for 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.

Non-current tangible assets

Non-current tangible assets are accounted for at acquisition cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line (linear) method by proportionally writing off the acquisition value of each separate asset unit over the following useful lives of assets:

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

Non-current tangible assets are constantly reviewed in order to evaluate the reduction of their value, if any changes of events or circumstances show that the accounting value might be non-recoverable. The accounting value of assets is immediately reduced to recoverable amount in case the accounting value 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 accounting value 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.

Fair value of assets and liabilities

Fair value is the price that would be received when selling assets or paid when transferring liabilities via an ordinary transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the asset sale or liability transfer transaction takes place either:

- In the principal market of the assets or liabilities;
- In the absence of a principal market, in the market that is the most advantageous for these assets or liabilities.

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

All assets and liabilities with a fair value are measured and recognised in these financial statements according to the fair value hierarchy provided below. The hierarchy is comprised according to the lowest level input which is important for determining fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: fair value calculated using measurement methods; where the lower level variables having a significant effect on the fair value are directly or indirectly available in the market;
Level 3: fair value calculated using measurement methods, when variables of the lowest level having a significant effect on the fair value are not based on information available in the market.

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 the 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 certain 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 assets is estimated based on discounted cash flow value using the interest rates for items with similar terms and risk characteristics. In the case of inactive markets, valuation techniques are applied for measuring fair value.

Taxes

Income tax

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

Deferred income tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their accounting values in the financial statements. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be earned against which the losses can be utilised. Likely future taxable profit is measured when determining the amount of deferred tax assets that can be recognised. Deferred income tax is calculated by applying tax rates that are effective or approved on the statement of financial position date, and are expected to be applied when the deferred income tax assets are 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 transferred for an unlimited period, except losses incurred due to the transfer of securities. Losses from the transfer of securities can be carried forward for 5 consecutive years. As of 1 January 2014, forwarded tax losses can cover no more than 70 percent of the taxable income of the current year.

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

Other taxes

Other taxes are accounted for under the administrative expenses item in the statement of comprehensive income.

Foreign currencies

Foreign currency transactions

Foreign currency transactions are converted to euros according to the exchange rate of the respective currency and euro established by the Bank of Lithuania which was effective on the date of the operation. Profit and loss arising from the execution of such operations and from the conversion of monetary assets and liabilities denominated in currencies other than the euro are accounted for as profit or loss.

Monetary assets and liabilities denominated in foreign currency are translated into functional currency using the exchange rate of the relevant currency which was effective at the date of the statement of financial position. Foreign currency exchange gains and losses are recognised as profit or loss. Non-monetary items are accounted for at acquisition value using the exchange rate that was effective on the date of the transaction, and non-monetary assets accounted for at fair value or revalued value are converted by using the exchange rate that was effective on the date the fair value was determined.

Employee benefits

Social security contributions

The Company pays social security contributions to the State Social Insurance Fund (hereinafter - the Fund) for its employees according to the established contribution plan and in accordance with the legal requirements of the Republic of Lithuania. The established contribution plan is a plan according to which the Company transfers contributions of an established size to the Fund and has no legal or constructive obligation to continue paying these contributions, if the Fund does not have sufficient assets to be able to pay all the benefits to employees related to their service during current and previous periods. Social security contributions are recognised as expenses on an accrual basis and are included within staff costs. Social security contributions are allocated each year by the Fund for pension, health, sickness, maternity and unemployment payments.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it will likely require economic resources to settle obligations, and this amount can be reliably estimated. Expenses relating to provision accounting are recognised in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using the pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase of a provision reflecting the previous period is registered in accounts as borrowing costs.

Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are described in the notes to financial statements, excluding cases when the likelihood that resources providing economic benefits will be lost is very small.

Contingent assets are not recognised in the financial statements, however they are disclosed when an inflow or economic benefits is probable.

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 the funds of the client, on own behalf and on behalf of clients, are accounted for in the off-balance sheet statement of the clients' accounts.

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 for 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.

Subsequent events

All events that have occurred after the date of the statement of financial position (adjusting events) are provided in the financial statements if they are related to the reporting period and have a significant impact on the financial statements. All events that are significant but are not adjusting events are disclosed in the notes to these financial statements.

Use of measurements in the preparation of financial statements

The preparation of financial statements in conformity with the IFRS requires the use of measurements 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 measurements are based on management's best knowledge of current events and actions, actual results may ultimately differ from these measurements. The impact of such changes will be included in the financial statements once they appear.

Business continuity

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 of loans, trade receivables and prepayments

The Company reviews its granted loans, trade receivables and prepayments to assess impairment at least on a quarterly basis. When determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company measures whether there is any objective proof indicating that there is a significant decrease in future cash flows from loans granted, trade receivables and prepayments.

Such objective proof may include signs indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with failure to fulfil one's obligations, as well as other objective and subjective factors. The Management uses measurements based on historical losses from assets related to similar credit risk and objective impairment proof when assessing its future cash flows. The methodology and assumptions used for measuring both the amount and timing of future cash flows are reviewed regularly to reduce any differences between calculated loss amounts 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 the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, certain assumptions are made when measuring fair values. The fair values of financial assets and liabilities are provided in the note on financial risk management.

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 judgement is required to determine the deferred tax asset that must be recognised based upon the likely level of future taxable profit together with estimated future tax planning strategies. For deferred tax amounts, see Note 9.

FINANCIAL RISK MANAGEMENT

The Company analyses, measures, assumes 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 procedures have been prepared: Trading Policy, Trading Risk Management Policy, Internal Capital Adequacy Assessment Process and Risk Management Strategy, Solvency and Liquidity Rules, Operational Risk Assessment and Management Strategy and Procedures, as well as other documents.

The following main financial risk management procedures are applied in the Company:

Capital adequacy - on a daily basis the Company must meet the capital adequacy ratio, 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 failure of counterparties to fulfil their financial obligations towards the Company. Credit risk arises principally in investing and crediting 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 credit risks taken and changes thereof.

When measuring the impairment losses on loans and financial assets, the Company follows the requirements of IAS 39 Financial Instruments.

FINANCIAL RISK MANAGEMENT (continued)

Loans and receivables

Credit risk arising from crediting activities is managed by carrying out a thorough analysis of the client before granting loans, 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 client to repay the loan and collaterals.

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

	31 December 2019	31 December 2018
Credit risk exposures relating to on-balance sheet assets are as follows:		
Securities measured at fair value through profit (loss)	903.301	1.184.594
Cash and cash equivalents	791.113	846.295
Loans granted	622.347	352.358
Trade receivables and prepayments	361.262	412.374
Derivative financial instruments	976	15.449
Total	**2.678.999**	**2.811.070**

The table above represents credit risk exposure at 31 December 2019 and 2018, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on the net carrying value as they appear in the statement of financial position.

When managing cash-related credit risks, the Company diversifies cash keeping places and stores cash in Lithuanian and foreign banks and financial brokerage firms which the Company believes to be secure. The management actively monitors ratings of banks and status of financial brokerage firms, therefore the management believes that the parties of the transaction will implement their liabilities.

Information on loans granted and trade receivables and prepayments for December 31 are summarised in the tables below:

	2019		2018	
	Loans	Trade receivables and prepayments	Loans	Trade receivables and prepayments
Loans and receivables neither past due nor impaired	622.347	260.076	352.358	285.346
Loans and receivables, past due but not impaired	-	101.186	-	127.028
Impaired loans and receivables	9.860	86.169	10.000	72.527
Total value	**632.207**	**447.431**	**362.358**	**484.901**
Minus: impairment	(9.860)	(86.169)	(10.000)	(72.527)
Net value	**622.347**	**361.262**	**352.358**	**412.374**

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:

	2019		2018	
	Loans	Trade receivables and prepayments	Loans	Trade receivables and prepayments
Past due 1 -30 days	-	17.332	-	4.508
Past due 31-60 days	-	9.202	-	14.017
Past due 61-90 days	-	47.514	-	24.022
Past due over 90 days	-	27.138	-	84.481
Total	-	**101.186**	-	**127.028**

Having evaluated the financial status of debtors, the Company as of 31 December 2019 and 2018 did not additionally impair past due loans and prepayments for clients. The Company formed an additional adjustment in the value of 14 thousand euros for trade receivables.

FINANCIAL RISK MANAGEMENT (continued)

Securities measured at fair value through profit (loss)

Below is the analysis of securities measured at fair value through profit (loss) by geographical trade zone:

	31 December 2019	31 December 2018
Baltic countries	735.399	961.984
USA and Canada	140.051	204.759
Other EU states	11.615	17.851
Other countries	16.236	-
Total	**903.301**	**1.184.594**

Derivative financial instruments

The credit risk arising from derivative instruments is managed daily by assessing the potential market value fluctuations. Margining agreements are established with the clients. Security measures (deposited funds or securities) are applied to manage the credit risk of these financial instruments, therefore the management believes that credit risk associated with 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. Monetary funds are considered of low risk when they are kept in 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 clients.

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 risk assessment.

Low risk equity securities are securities traded in regulated markets.

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

31 December 2019:	Low risk	Higher risk	Not class ified	Total
Credit risk exposures relating to on-balance sheet assets are as follows:				
Securities measured at fair value through profit (loss)	903.301	-	-	**903.301**
Cash and cash equivalents	791.113	-	-	**791.113**
Loans granted	181.184	441.163	-	**622.347**
Trade receivables and prepayments	237.710	107.295	16.257	**361.262**
Derivative financial instruments	-	976	-	**976**
Total	**2.113.308**	**549.434**	**16.257**	**2.678.999**

31 December 2018:	Low risk	Higher risk	Not class ified	Total
Credit risk exposures relating to on-balance sheet assets are as follows:				
Securities measured at fair value through profit (loss)	1.184.594	-	-	**1.184.594**
Cash and cash equivalents	846.295	-	-	**846.295**
Loans granted	230.983	118.938	2.437	**352.358**
Trade receivables and prepayments	314.024	75.564	22.786	**412.374**
Derivative financial instruments	-	15.449	-	**15.449**
Total	**2.575.896**	**209.951**	**25.223**	**2.811.070**

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 the management of foreign currency risk. As of 31 December 2019 and 2018, cash assets and cash liabilities in different currencies were as follows (equivalent in euros):

	31 December 2019		31 December 2018 (adjusted)	
	Assets	Liabilities	Assets	Liabilities
EUR*	2.409.765	537.318	2.452.181	478.467
USD	212.001	168.786	306.746	293.894
PLN	6.513	-	41.417	-
SEK	11.066	-	10.717	-
NOK	38.003	-	-	-
Other currencies	1.651	-	9	602
Total	**2.678.999**	**706.104**	**2.811.070**	**772.963**

*In 2018, deferred expenses, tangible and intangible non-current assets were disclosed as financial assets; since these assets are not financial assets, comparative information for 2018 has been adjusted in the financial statements for 2019 to match the 2019 submission.

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).

	Change	31 December 2019	31 December 2018
USD	-10 %	(4.322)	(1.285)
PLN	-10 %	(651)	(4.142)
SEK	-10 %	(1.107)	(1.072)
NOK	-10 %	(3.800)	-
Other currencies	-10 %	(165)	(59)
Total	**-10 %**	**(10.045)**	**(6.558)**

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

Interest rate risk

Interest rate risk is the risk that the Company will incur losses due to price fluctuations of financial assets and liabilities measured at fair value through profit or loss in the statement of comprehensive income, concerning changes in the 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 is a risk that the Company will not be able to fulfil its financial liabilities upon their maturity. The policy of the Company is to maintain a sufficient amount of cash and cash equivalents or secure funding through an appropriate quantity of credit lines or other borrowing instruments in order to fulfil obligations both under ordinary and under difficult conditions without suffering unacceptable losses and without risking to lose good reputation.

Liquidity risk management is carried out by implementing the internal control function, establishing business continuity plans and procedures limiting any possible unforeseen risk, assessing the acceptability or unacceptability of services provided by the Company, carrying out product and service pricing management and internal resource reallocation functions, analysing the Company's processes and procedures, identifying risk points and assessing the sufficiency of their control.

The table below summarises the Company's financial liability return deadlines on 31 December 2019 according to the undiscounted contractual payments.

	Within three months	After three months, but no later than within one year	After one year, but no later than within five years	After five years	No deadline /On demand	Total
Liabilities						
Lease (finance lease) liabilities	3.633	11.030	62.105	-	-	**76.768**
Trade debts	84.911	-	-	-	-	**84.911**
Other financial liabilities	-	-	-	-	78.613	**78.613**
Derivative financial instruments	-	-	-	-	91.961	**91.961**
Loans received	-	-	-	-	182.473	**182.473**
Total liabilities	**88.544**	**11.030**	**62.105**	-	**353.047**	**514.726**

The table below summarises the Company's financial liability return deadlines on 31 December 2018 according to the undiscounted contractual payments.

	Within three months	After three months, but no later than within one year	After one year, but no later than within five years	After five years	No deadline /On demand	Total
Liabilities						
Lease (finance lease) liabilities	1.873	5.873	47.227	-	-	**54.973**
Trade debts	193.746	-	-	-	-	**193.746**
Other financial liabilities	-	-	-	-	23.322	**23.322**
Derivative financial instruments	-	-	-	-	18.737	**18.737**
Loans received	-	-	-	-	290.152	**290.152**
Total liabilities	**195.619**	**5.873**	**47.227**	-	**332.211**	**580.930**

Operational risk

A risk to suffer direct and indirect losses due to improper or unimplemented internal control processes, employee errors and (or) illegal actions, as well as information systems and technology malfunctions or due to the influence of external factors.

Operational risk management is carried out by implementing the internal control function, establishing procedures limiting any possible unforeseen risk, insuring the Company's tangible assets, assessing the acceptability or unacceptability of services provided by the Company, carrying out product and service pricing management and internal resource reallocation functions, analysing the Company's processes and procedures, identifying risk points and assessing the sufficiency of their control.

Internal capital for operational risk is calculated by applying the basic indicator method in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRDIV/CRR).

FINANCIAL RISK MANAGEMENT (continued)

Operational risk (continued)

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

31 December 2019	Year -3	Year -2	Last year	Average
1. ALL BUSINESS LINES ACCORDING TO THE BASIC INDICATOR METHOD	1.808	1.799	2.302	1.970
CAPITAL CHARGE, %	-	-	-	15%
Exposure value, thousand EUR (Average* coefficient)				298
Capital requirements, thousand EUR (298*12,5)	-	-	-	**3.725**

31 December 2018	Year -3	Year -2	Last year	Average
1. ALL BUSINESS LINES ACCORDING TO THE BASIC INDICATOR METHOD	1.622	1.808	1.799	1.743
CAPITAL CHARGE, %	-	-	-	15%
Exposure value, thousand EUR (Average* coefficient)				261
Capital requirements, thousand EUR (261*12,5)	-	-	-	**3.263**

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 debts. The management of the Company have evaluated that the fair values of these assets and liabilities as of 31 December 2019 and 2018 are approximately equal to their accounting value. Fair value of trade receivables and payables, loans and other non-derivative financial assets, as well as liabilities was treated as their accounting value due to relatively short term of instruments concerned (level 3).

The tables below summarise the Company's financial assets and liabilities measured at fair value. Financial instruments are provided in three fair value levels, as described in the note "Accounting principles".

Financial instruments were not reclassified from one level to the next in 2019 and 2018.

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

2019:	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments, assets (Note 13)	-	976	-	**976**
Derivative financial instruments, liabilities (Note 12)	-	(91.961)	-	**(91.961)**
Securities measured at fair value through profit or loss (Note 11):				
Debt securities	-	-	-	-
Equity securities	903.301	-	-	**903.301**
Total	**903.301**	**(90.985)**	-	**812.316**

2018:	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments, assets (Note 12)	-	15.449	-	**15.449**
Derivative financial instruments, liabilities (Note 12)	-	(18.737)	-	**(18.737)**
Securities measured at fair value through profit or loss (Note 11):				
Debt securities	-	379.703	-	**379.703**
Equity securities	804.891	-	-	**804.891**
Total	**804.891**	**376.415**	-	**1.181.306**

The fair value of all 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 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 the legal acts of the Republic of Lithuania. The Company's capital management objectives 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 into the following 2 levels:

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

As of 31 December 2019 and 2018, the Company had no level 2 capital.

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

The table below provides the composition of capital and ratios of the Company as of 31 December for the year ended. By considering the requirements of the supervising institutions, the Company is subject to an 8% capital adequacy ratio. Moreover, new capital reserves were introduced in 2016, which must be carried out by the Company, i.e. in 2016, additional capital conservation buffer of 2.5% was applied to all Lithuanian financial brokerage firms of class A. In 2019 and 2018, the Company met all capital requirements to which it was subject.

	Ratios (thousand EUR)	2019	2018
1.	**Level one capital of the Company**	**2.331**	**2.173**
1.1.	Authorised capital	1.593	1.593
1.2.	Reserves	159	159
1.3.	Total value of additional valuation adjustment (AVA) estimates	(4)	(4)
1.4.	Profit of previous year	4	3
1.5.	Profit of reporting year	644	472
1.6.	Intangible assets	(6)	(12)
1.7.	Deferred income tax assets	(12)	(5)
1.8.	Prepayments and deferred expenses	(47)	(33)
2.	**Capital requirements (CR)**	**7.516**	**6.831**
2.1.	Credit risk	2.215	1.516
2.2.	Position risk	1.388	1.801
2.3.	Foreign currency risk	100	163
2.4.	Operational risk	3.688	3.263
2.5.	Credit valuation adjustment risk	125	88
3.	**Capital adequacy ratio (1 line/2 line)**	**31,01%**	**31,81%**

OTHER NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INCOME FROM SERVICES AND COMMISSION FEES

	2019	2018
Income from services and commission fees:		
Income from commission fees	1.644.182	1.754.975
Valuation and consulting services	1.064.697	644.246
Accounting for and storage of securities	405.055	305.080
Market making and other fixed fee services	232.809	178.803
Accounting services	31.097	4.200
Currency exchange income	28.248	34.826
Total income from services and commission	**3.406.088**	**2.922.130**
Costs of services and commission fees:		
Fees to brokers	(137.302)	(423.727)
Fees to stock exchanges, depositories	(141.294)	(139.405)
Fees for access to trading and data platforms	(26.536)	(22.567)
Software maintenance	(48.158)	(59.543)
Consultations	(96.760)	(159.010)
Other expenses	(60.417)	(59.385)
Total costs of services and commission fees	**(510.467)**	**(863.637)**
Net income from services and commission fees	**2.895.621**	**2.058.493**

NOTE 2 NET INTEREST INCOME

	2019	2018
Interest income:		
Interest on cash held in bank accounts	87.356	205.718
REPO transaction interest	16.732	17.713
Interest for loans	27.793	6.318
Total interest income	**131.881**	**229.749**
Interest expense:		
Interest for loans	(22.938)	(29.768)
Total interest expense	**(22.938)**	**(29.768)**
Net interest income	**108.943**	**199.981**

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

	2019	2018
Realised profit (loss) from trade in shares	93.372	(34.234)
Positive (negative) impact of forex changes	1.215	(1.259)
Net dividend income	1.256	7.475
Net unrealised revaluation result of financial assets and liabilities measured at fair value through profit or loss	(55.946)	39.259
Total	**39.897**	**11.241**

NOTE 4 CHANGE IN IMPAIRMENTS AND OTHER PROVISIONS

	2019	2018
Change in impairment of impaired loans (Notes 11 and 14)	(13.502)	(3.093)
Fine and penalty expenses	(2 605)	(10.000)
Total	**(16.107)**	**(13.093)**

NOTE 5 PERSONNEL EXPENSES

	2019	2018
Salaries	(1.230.803)	(707.002)
Social insurance expenses	(19.816)	(202.139)
Change in unused vacation accrual	(22.218)	5.931
Contributions to guarantee fund	(1.969)	(1.242)
Total	**(1.274.806)**	**(904.452)**

NOTE 6 DEPRECIATION AND AMORTISATION

	2019	2018
Depreciation of vehicles, plant and equipment	(25.877)	(18.583)
Amortisation of intangible assets	(6.323)	(7.069)
Total	**(32.200)**	**(25.652)**

NOTE 7 ADMINISTRATIVE EXPENSES

	2019	2018
Advertising and marketing expenses	(207.150)	(113.939)
Taxes (excluding income tax)	(93.483)	(103.512)
Charity	(131.500)	(45.000)
Premises rent and utilities expenses	(94.027)	(75.286)
Legal services	(70.616)	(107.483)
Professional training and business trip expenses	(104.328)	(75.411)
Vehicle lease and maintenance expenses	(56.520)	(59.876)
Insurance expenses	(17.898)	(13.944)
Office expenses	(38.113)	(66.212)
Accounting services	(72.779)	(56.598)
Compensations to clients	(7.435)	(1.201)
Communication expenses	(50.588)	(33.630)
Other	(58.550)	(56.737)
Total	**(1.002.987)**	**(808.829)**

NOTE 8 CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in bank accounts	791.113	846.295
Total	**791.113**	**846.295**

On 31 December 2019 and 2018, cash included resources in different currencies in Lithuanian and foreign bank accounts and financial brokerage firms. On 31 December 2019 and 2018, the Company had no short-term fixed maturity deposits.

NOTE 9 INCOME TAX

	2019	2018
Components of income tax expenses (income)		
Income tax expenses of the reporting year	113.493	90.742
Deferred income tax (income) expenses	(7.204)	11.061
Income tax (income) expenses, accounted for under the statement of comprehensive income	106.289	101.803

	31 December 2019	31 December 2018
Deferred income tax assets		
Impairment of assets	96.029	82.527
Vacation pay accrual	1.323	937
Unrealised profit/loss from revaluation of financial assets	35.381	1.242
Deferred income tax assets before valuation allowance	132.733	84.706
Less: impairment of realisable value	(49.600)	(49.600)
Net deferred income tax assets	83.133	35.106
Deferred income tax liabilities	-	-
Net deferred income tax	**12.470**	**5.266**

On 31 December 2019 and 2018, deferred income tax assets and liabilities were calculated by applying a 15 percent rate.

The changes of temporary differences before and after tax effect in the Company were as follows:

	2017	In the statement of comprehensive income	2018	In the statement of comprehensive income	2019
Impairment of assets	87.064	(4.537)	82.527	13.502	96.029
Social insurance contributions	14.124	(13.187)	937	386	1.323
Unrealised profit/loss from revaluation of financial assets	57.257	(56.015)	1.242	34.139	35.381
Total temporary differences	158.445	(73.739)	84.706	48.027	132.733
Less: impairment of realisable value	(49.600)	-	(49.600)	-	(49.600)
Net deferred income tax	16.327	(11.061)	5.266	7.204	12.470

NOTE 10 OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Accrued income	233.525	41.089
Other assets	27.966	23.385
Total	**261.491**	**64.474**

NOTE 11 TRADE RECEIVABLES AND PREPAYMENTS

	31 December 2019	31 December 2018
Receivables from buyers	392.505	426.347
Prepayments	43.237	49.366
Receivables from buyers related to contracts for differences	9.263	6.794
Accrued CFD commission fee	2.426	2.394
Total	**447.431**	**484.901**
Less: doubtful trade receivables and prepayment impairment	(86.169)	(72.527)
Total	**361.262**	**412.374**

Receivables from buyers are non-interest bearing and, usually, their payment term is 30 days.

Receivables from buyers and prepayments with a nominal value of EUR 86 thousand on 31 December 2019 (EUR 73 thousand on 31 December 2018) were impaired by 100%.

Change in the impairment of receivables in 2019 and 2018 is included under the impairment and other provisions expenses item.

The ageing analysis of receivables from buyers and prepayments of the Company for 31 December 2019 and 2018 is provided in the credit risk section of the Financial Risk Management note.

Movement of impairment accounted for receivables and prepayments:

	Receivables from buyers	Prepayments
Balance on 31 December 2017	(46.848)	(26.580)
Impairment	(44)	
Impairment write-off	945	-
Balance on 31 December 2018	(45.947)	(26.580)
Impairment	(13.642)	-
Impairment write-off	-	-
Balance on 31 December 2019	**(59.589)**	**(26.580)**

NOTE 12 SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT (LOSS)

	31 December 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equity securities						
Baltic countries	594.722	-	-	449.240	-	-
USA and Canada	140.051	-	-	204.759	-	-
Other EU states	10.520	-	-	17.851	-	-
Other countries	16.236	-	-	-	-	-
Total equity securities	**761.529**	-	-	**671.850**	-	-
Collective investment undertaking units						
Other EU states	1.095	-	-	-	-	-
Baltic countries	140.677	-	-	133.041	-	-
Total collective investment undertaking units	**141.772**	-	-	**133.041**	-	-
Debt securities						
Baltic countries	-	-	-	-	379.703	-
Total debt securities	-	-	-	-	**379.703**	-
Total securities	**903.301**	-	-	**804.891**	**379.703**	-

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

	2019		2018	
	%	Deadline (in years)	%	Deadline (in years)
Structural bonds	-	-	8	3,00
Subordinated bonds	-	-	7	6,60

NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are essentially used for hedging against risks according to the Company's risk management policy. The Company enters into transactions involving contracts for differences seeking to hedge against contracts for differences fair value fluctuation risk.

The value of a derivative financial instrument becomes positive (assets) or negative (liabilities) as a result of fluctuations in share prices considering the terms of transactions entered.

Aggregate amounts of derivative contracts can fluctuate within the limits set by the Company. Fair values of derivative financial assets and liabilities may fluctuate significantly, depending on circumstances in the market.

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

	Nominal values (set out in the agreement)	Fair values	
		Assets	Liabilities
31 December 2019			
Contracts for differences (CFD based on acquired securities)	519.595	-	90.985
Contracts for differences (CFD based on acquired equivalent CFD)	32.170	976	976
Contracts for differences (CFD entered based on borrowed securities)	-	-	-
Contracts for differences (acquired by the Company)	-	-	-
Total	**551.765**	**976**	**91.961**
31 December 2018			
Contracts for differences (CFD based on acquired securities)	434.010	-	3.288
Contracts for differences (CFD based on acquired equivalent CFD)	37.468	4.532	4.532
Contracts for differences (CFD entered based on borrowed securities)	22.565	10.917	10.917
Contracts for differences (acquired by the Company)	-	-	-
Total	**494.043**	**15.449**	**18.737**

NOTE 14 LOANS

	31 December 2019	31 December 2018
Loans pledged by securities	181.184	230.983
Loans granted to related parties	-	-
Other loans	451.023	131.375
Total	**632.207**	**362.358**
Total impairment loss:	(9.860)	(10.000)
Other loans	(9.860)	(10.000)
Total net loans granted to clients	**622.347**	**352.358**
Total long-term portion of loans granted	**285.000**	**-**
Fair value of collaterals received ***(unaudited)***	**473.480**	**542.352**

* Collaterals received are securities. The circumstances of use thereof are established in agreements with clients.

On 31 December 2019, the agreed terms of loans granted were from 3 to 96 months. The average annual interest rate for the loans granted was 7.5 percent in 2019.

On 31 December 2018, the agreed terms of loans granted were from 2 to 6 months. The average annual interest rate for the loans granted was 5.5 percent in 2018.

Change in the impairment of loans is accounted for under the impairment and other provision expenses item.

Long-term portion of loans granted is accounted for as other non-current assets in the balance sheet together with long-term prepayments made.

Movement of loan impairment:

	Individual impairment
Balance on 31 December 2017	(10.000)
Balance on 31 December 2018	(10.000)
Balance on 31 December 2019	(9.860)

NOTE 15 NON-CURRENT TANGIBLE AND INTANGIBLE ASSETS

	Vehicles	Other tangible assets	Total tangible assets	Intangible assets
Acquisition cost:				
31 December 2017	-	**104.732**	**104.732**	**118.557**
Acquisitions	54.958	20.466	75.424	7.828
Write-offs and sales	-	(10.160)	(10.160)	-
31 December 2018	**54.958**	**115.038**	**169.996**	**126.385**
Acquisitions	40.014	18.053	58.067	-
Write-offs and sales	-	(46.084)	(46.084)	(87.044)
31 December 2019	**94.972**	**87.007**	**181.979**	**39.341**
Depreciation				
31 December 2017	-	**76.424**	**76.424**	**106.637**
Write-offs and sales	-	(10.185)	(10.185)	-
Depreciation expenses for the year	3.053	15.559	18.612	7.250
31 December 2018	**3.053**	**81.798**	**84.851**	**113.887**
Write-offs and sales	-	(43.248)	(43.248)	(87.031)
Depreciation expenses for the year	17.108	18.725	35.833	6.323
31 December 2019	**20.161**	**57.275**	**77.436**	**33.179**
Residual value:				
31 December 2017	-	**28.308**	**28.308**	**11.920**
31 December 2018	**51.905**	**33.240**	**85.145**	**12.498**
31 December 2019	**74.811**	**29.732**	**104.543**	**6.162**

Non-current intangible assets include computer software and their licences.

No non-current tangible assets were pledged to a third party on 31 December 2019 and 31 December 2018.

On 31 December 2019 and 31 December 2018, the Company had ownership rights to all of the non-current tangible assets.

Part of the Company's non-current tangible assets whose acquisition value was 27 thousand euros on 31 December 2019 (41 thousand euros on 31 December 2018) was completely depreciated, but still in use. Most of the depreciated assets which were still in use were computer hardware.

Part of the Company's non-current intangible assets whose acquisition value was 107 thousand euros on 31 December 2019 (107 thousand euros on 31 December 2018) was completely depreciated, but still in use. Most of the depreciated assets which were still in use were computer software and their licences.

NOTE 16 LOANS RECEIVED AND FINANCE LEASE

	31 December 2019	31 December 2018
Lease (finance lease) – amounts payable after one year	62.105	51.100
TOTAL	62.105	51.100
Lease (finance lease) – amounts payable within one year	14.663	-
Overdrafts (credit balance of current accounts)	167.810	290.152
TOTAL	182.473	290.152
Total	244.578	341.252

	2019	2018	2019	2018
	Average duration		Average interest rates	
Lease (finance lease)	60 months	60 months	2,53 %	2,53 %
Overdrafts (credit balance of current accounts)	Open-ended	Open-ended	1 – 2 %	1 – 2 %

NOTE 17 OTHER FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Amounts payable for the acquisition of short positions	78.613	23.322
Total gross accounting value of financial liabilities:	78.613	23.322
Net-off amounts*	-	-
Total net accounting value of financial liabilities Total:	78.613	23.322

Changes in liabilities arising from financial operations:

	31 December 2018	Loans received	Loans (repaid)	Change in fair value	Interest expenses	Paid interest	31 December 2019
Loans received	290.152	3.651.070	(3.758.749)	-	13.094	(13.094)	182.473
Derivative financial instruments	18.737	-	-	73.224	-	-	91.961
Other financial liabilities	23.322	-	-	55.291	-	-	78.613
Total	332.211	3.651.070	(3.758.749)	128.515	13.094	(13.094)	353.047

NOTE 18 PAYROLL LIABILITIES

	31 December 2019	31 December 2018
Accrued unused vacation	76.095	53.877
Payable social insurance contributions	28.142	34.692
Accrued amounts paid in 2020	14.518	-
Payable contributions to the Norwegian Tax Administration	-	11.499
Total	118.755	100.068

NOTE 19 OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Accrued expenses	28.955	42.348
Payable VAT	19.412	26.678
Other taxes payable to the budget	3.230	3.230
Debts to accountable persons	1.598	455
Total	**53.195**	**72.711**

NOTE CAPITAL AND LEGAL RESERVE

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.

When managing the capital, the management of the Company ensures that the size of the equity capital is not smaller that ½ of the Company's authorised share capital, as required by the Law on Companies of the Republic of Lithuania. On 31 December 2019 and 2018, the Company met all the aforesaid requirements.

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

Legal reserve

The legal reserve is mandatory according to the legal acts of the Republic of Lithuania. At least 5% of net accounting profit must be annually allocated to the legal reserve until it reaches at least 10% of the authorised share capital. On 31 December 2019, the Company's legal reserve was fully formed. The legal reserve may not be allocated as dividends, but may be used to cover future losses.

Undistributed profit

Over the reporting year of 2019, the Company allocated and paid out 460 thousand euros of dividends under the decision of shareholders.

NOTE 20 ASSETS ASSIGNED FOR MANAGEMENT (UNAUDITED)

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

		31 December 2019	31 December 2018
I.	Guarantees and sureties granted	-	-
II.	Managed assets of clients	**1.007.512.929**	**826.529.624**
II.1.1.	Clients' cash	15.868.202	24.428.200
II.1.2.	Securities purchased on behalf of clients	511.044.580	329.221.180
II.1.3.	Accounted securities of clients, represented at the Central Securities Depository of Lithuania	480.126.667	472.453.963
II.1.4.	Pledged securities of clients		-
II.1.5.	Securities purchased from clients under reverse repurchase agreements	473.480	426.281
III.	Other off-balance sheet liabilities		-
IV.	Amount of clients' transactions with a third party concluded on derivative financial instruments	**354.147**	**1.565.196**
V.	Financial instruments, based on which clients concluded CFD with a third party	**294.709**	**103.004**
VI.	Financial instruments, based on which clients concluded CFD with the company	**717.762**	**799.983**
VI.1.	Financial instruments, based on which the company purchased securities as CFD leverage	685.356	469.677
VI.2.	Financial instruments, based on which the company concluded CFD with a third party	32.406	330.306
	Total	**1.008.879.547**	**828.997.807**

NOTE 21 CONTINGENT LIABILITIES

The Tax Inspectorate did not carry out a full tax audit in the Company. The Tax Inspectorate can examine the books and accounting records, as well as calculate additional taxes and penalties at any time within five consecutive years after the reporting tax year. The Company's management is not aware of any circumstances which may result in a potentially significant liability in this respect.

NOTE 22 RELATED PARTY TRANSACTIONS

Parties are considered to be related when one party is able to control the other or have significant influence over the other party when making financial and operational decisions. Related parties of the Company are its shareholders and other companies, which are controlled by shareholders of the Company.

Transactions of the Company made with related parties in 2019, and balances on 31 December 2019 were as follows:

	Purchases	Sales	Receivables/ loans	Amounts payable	Dividends
Shareholders	-	-	56 597	-	460.000
Other related entities	71 333	125 017	56 739	-	-
Total	**71 333**	**125 017**	**113 336**	-	**460.000**

In 2019, the Company provided fund unit distribution services to funds managed by UAB Orion Asset Management employees.

Transactions of the Company made with related parties in 2018, and balances on 31 December 2018 were as follows:

	Purchases	Sales	Receivables/ loans	Amounts payable	Dividends
Shareholders	-	-	589	-	355.000
Other related entities	41 667	133 816	38 864	8 333	-
Total	41 667	133 816	**39 453**	**8 333**	**355.000**

In 2018, the Company provided fund unit distribution services to funds managed by UAB Orion Asset Management employees.

The Company has no guarantees from related parties concerning receivables or payables to related parties. On 31 December 2019 and 2018, the Company did not account for any impairment on doubtful debts related to receivables from related parties.

Salary of the management and other payments

In 2019, the salary calculated for the Company's management comprised a total of 102 thousand euros (45 thousand euros in 2018). In 2019, the Company's management consisted of 1 employee (1 employee in 2018). In 2019 and 2018, the Company's management did not receive any loans, or any other paid or calculated amounts or asset transfers.
A board was formed in the Company on 1 June 2017. Salaries were not paid to members of the board in 2019 (salaries of members of the board comprised 10 thousand euros in 2018).

NOTE 23 SUBSEQUENT EVENTS

The management of the company believes that the COVID-19 virus pandemic will have a direct impact on the performance of the company. Capital markets have already experienced a severe drop (20-40%), bringing huge losses to the company's clients due to the impairment of their controlled financial assets. Enforcement of quarantine in most countries will transfer the negative financial effect to most businesses directly. Due to the factors mentioned above, there is a sufficiently high degree of uncertainty regarding further development of economy which could affect future financial and operating results.

Given the current events, the management of the Company is already considering new products, cost optimisation, and process efficiency. Most services are provided remotely, and the Company's processes have not stopped. Main services provided by the Company will enable it to ensure minimum income necessary for the continuity of its operations.

There were no other significant events in the Company after the statement of financial position date.

These financial statements were signed on: 18 March 2020.

Director
Alius Jakubėlis

Dainius Minelga
Authorised accountant