BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

REPORT AND INTERIM UNAUDITED FINANCIAL STATEMENTS
Period ended 30 June 2016

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Dimitra Karkalli Lambros Soteriou
Company Secretary:	M. Kyprianou Fiduciaries Ltd
Registered office:	116 Gladstonos street M. Kyprianou Tower, 3rd and 4th floors 3032 Limassol Cyprus
Bankers:	Hellenic Bank Public Company Ltd BCS Bank JSC
Registration number:	HE158664

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and unaudited financial statements of the Company for the period from 1 January 2016 to 30 June 2016.

Incorporation
BrokerCreditService Structured Products Plc ("the Company") was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Company's original name was Gawling Company Limited.

Principal activities
The principal activities of the Company, which are unchanged from last year, are to act as a holding, investment and financing company. The Company's main operation is the issuance of structured products in collaboration with other entities which are under common control, with the purpose of generating margins through a flow of products sold and execution of the appropriate hedging strategies in order to minimise risk.

Change of Company name
Gawling Company Limited announced that it has changed its name to BrokerCreditService Structured Products PLC on May 14, 2015. The company has also converted from a private company into a public company.

Review of current position, future developments and significant risks
The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory. The Board of Directors does not expect major changes or developments in the principal activities, financial position and performance of the Company in the foreseeable future.

A description of how risks are managed is shown in note 4 of the financial statements.

Results
The Company's results for the period are set out on page 6.

Dividends
The Board of Directors does not recommend the payment of a dividend and the net profit for the period is retained.

Share capital
There were no changes in the share capital of the Company during the period under review.

Board of Directors
The members of the Company's Board of Directors as at 30 June 2016 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the period from 1 January 2016 to 30 June 2016.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Operating Environment of the Company

(a) Operating environment of the Republic of Cyprus

During the last years, the Cyprus economy has been adversely affected by the crisis in the Cyprus banking system and the inability of the Republic of Cyprus to secure financing from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support of € 10 billion, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in", safeguarding deposits below €100.000.

Since March 2013, Troika performed several reviews of the Cyprus' economic program with very positive outcomes which resulted in the disbursement of all scheduled tranches of financial assistance to Cyprus. Following three years of economic recession and despite the adverse external economic environment in several European and international economies, the Cyprus economy shows signs of stabilization recording positive growth in the first half of 2015. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, all major international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, assisting largely the efforts of the Republic of Cyprus to raise significant capital from international financial markets in the past few months. In addition, the Cypriot banks have been recapitalized and have reorganized their operations, leading to the full abolishment of all capital controls and restrictive measures on deposits and transactions imposed during 2013.

However, the uncertain economic conditions in Cyprus, the unavailability of financing and the high percentage of non-performing bank loans in combination with the high unemployment rates, have affected:
- The ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions
- The cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets.

Following three years of economic recession and despite the adverse external economic environment in several European and international economies, the Cyprus economy shows signs of stabilization recording positive growth in the first half of 2015. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, all major international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, assisting largely the efforts of the Republic of Cyprus to raise significant capital from international financial markets in the past few months. In addition, the Cypriot banks have been recapitalized and have reorganized their operations, leading to the full abolishment of all capital controls and restrictive measures on deposits and transactions imposed during 2013.

However, the uncertain economic conditions in Cyprus, the unavailability of financing and the high percentage of non-performing bank loans in combination with the high unemployment rates, have affected:

- The ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions
- The ability of the Company's trade and other debtors to repay the amounts due to the Company
- The ability of the Company to enter into contracts for the development of new property units
- The cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets

(b) Operating environment of the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

During 2015, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has an impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Russian tax legislation

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.
The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

The Company's management has assessed:

(1) Whether any impairment allowances are deemed necessary for the Company's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.

(2) The ability of the Company to continue as a going concern (Note 3).

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the smooth conduct of its operations in the current business and economic environment.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

By order of the Board of Directors,

Dimitra Karkalli
Director

Limassol, 29 August 2016

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period ended 30 June 2016

	Note	**Unaudited 6 months ended 30 June 2016 €**	Audited year ended 31 December 2015 €
Dividend income		**5,155,211**	1,218,328
Loan interest income		**1,301,693**	2,778,426
Net (loss)/gain on trading in financial instruments		**(4,589,166)**	7,020,462
Net gain/(loss) realised on trading in foreign currencies		**14,855,312**	(25,512,687)
Interest income from bonds		**10,587,195**	19,132,552
Interest income from repo loans		**1,563,945**	6,447,328
Interest expense from bonds		**(6,937,787)**	(14,056,547)
Interest expense from repo loans		**(2,411,469)**	(5,882,721)
Loan interest expense		**(2,098,380)**	(6,022,974)
Direct expenditure	6	**(517,963)**	(1,157,077)
Total income/(loss)		**16,908,591**	(16,034,910)
Other operating income		**-**	78,654
Profit/(loss) from investing activities		**25,989,801**	(19,380,222)
Change in fair value of derivative financial instruments		**(18,391,917)**	58,557,483
Administration expenses		**(124,621)**	(612,731)
Other operating expenses	7	**(18,588)**	(713,943)
Operating profit		**24,363,266**	21,894,331
Net finance (costs)/income	9	**(4,946,704)**	19,312,342
Net profit for the period/year		**19,416,562**	41,206,673
Other comprehensive income		**-**	-
Total comprehensive income for the period/year		**19,416,562**	41,206,673

The notes on pages 9 to 35 form an integral part of these financial statements.

UNAUDITED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Note	30 June 2016 €	31 December 2015 €
ASSETS			
Investments in subsidiaries	12	**5,694**	5,707
Investments in associates	13	**6,957,541**	6,835,026
Non-current loans receivable	14	**43,901,180**	24,646,744
		50,864,415	31,487,477
Current assets			
Trade and other receivables	15	**109,165,817**	191,425,028
Repo loans to related companies	20	**255,972,196**	301,243,031
Loans receivable	14	**9,033,515**	11,325,031
Financial assets at fair value through profit or loss	16	**380,450,019**	255,613,525
Cash and cash equivalents	17	**104,494**	116,730
		754,726,041	759,723,345
Total assets		**805,590,456**	791,210,822
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**25,650**	25,650
Other reserves		**(31,412,617)**	(41,146,179)
Retained earnings		**128,483,466**	109,066,904
Total equity		**97,096,499**	67,946,375
Non-current liabilities			
Loans from related companies	20	**66,805,497**	31,505,179
		66,805,497	31,505,179
Current liabilities			
Trade and other payables	19	**387,956,067**	413,494,448
Repo loans from related companies	20	**253,732,393**	278,264,820
		641,688,460	691,759,268
Total liabilities		**708,493,957**	723,264,447
Total equity and liabilities		**805,590,456**	791,210,822

On 29 August 2016 the Board of Directors of BrokerCreditService Structured Products Plc authorised these financial statements for issue.

....
Dimitra Karkalli
Director

....
Lambros Soteriou
Director

The notes on pages 9 to 35 form an integral part of these financial statements.

UNAUDITED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2016

	Note	Share capital €	Translation reserve €	Retained earnings €	Total €
Balance at 1 January 2015		**1,710**	**(33,030,302)**	**67,860,231**	**34,831,639**
Profit and total comprehensive income for the year		-	-	41,206,673	41,206,673
Issue of share capital	18	23,940	-	-	23,940
Translation reserve for the year		-	(8,115,877)	-	(8,115,877)
Balance at 31 December 2015/1 January 2016		**25,650**	**(41,146,179)**	**109,066,904**	**67,946,375**
Profit and total comprehensive income for the period		-	-	19,416,562	19,416,562
Translation reserve for the period		-	9,733,562	-	9,733,562
		-	-	-	-
Balance at 30 June 2016		**25,650**	**(31,412,617)**	**128,483,466**	**97,096,499**

The notes on pages 9 to 35 form an integral part of these financial statements.

UNAUDITED STATEMENT OF CASH FLOWS
Period ended 30 June 2016

	Note	**Unaudited 6 months ended 30 June 2016 €**	Audited year ended 31 December 2015 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**19,416,562**	41,206,673
Adjustments for:			
Exchange difference arising on financial assets at fair value through profit or loss		**(4,781,600)**	(30,076,042)
Unrealised exchange loss/(profit)		**4,770,540**	(19,301,307)
Fair value (gains)/losses on financial assets at fair value through profit or loss		**(25,989,801)**	19,380,222
Fair value (gains) on investments in associates		**(122,515)**	-
Dividend income		**(5,155,211)**	(1,218,328)
Interest income	9	**(13,452,833)**	(28,377,030)
Interest expense	9	**11,448,099**	25,962,538
Translation reserve for the year		**9,733,562**	(8,115,877)
		(4,133,197)	(539,151)
Changes in working capital:			
Decrease in trade and other receivables		**82,259,211**	25,863,421
Decrease/(increase) in receivables from related companies		**45,270,835**	(64,959,917)
Decrease in shareholders' current accounts		**-**	(4,190)
Increase in financial assets at fair value through profit or loss		**(94,065,080)**	(125,746,190)
(Decrease)/increase in trade and other payables		**(25,538,381)**	122,809,761
(Decrease)/increase in payables to related companies		**(24,532,427)**	48,957,458
Cash (used in)/generated from operations		**(20,739,039)**	6,381,192
Interest received		**13,452,833**	28,358,306
Dividends received		**5,155,211**	1,218,328
Net cash (used in)/generated from operating activities		**(2,130,995)**	35,957,826
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		**(16,962,920)**	(18,547,487)
Interest received		**-**	18,724
Net cash used in investing activities		**(16,962,920)**	(18,528,763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	23,940
Repayment of loans from related companies		**-**	(10,731,159)
Proceeds from loans from related companies		**35,300,318**	-
Unrealised exchange (loss)/profit		**(4,770,540)**	19,301,307
Interest paid		**(11,448,099)**	(25,962,538)
Net cash generated from financing activities		**19,081,679**	(17,368,450)
Net (decrease)/increase in cash and cash equivalents		**(12,236)**	60,613
Cash and cash equivalents at beginning of the period/year		**116,730**	56,117
Cash and cash equivalents at end of the period/year	17	**104,494**	116,730

The notes on pages 9 to 35 form an integral part of these financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Period ended 30 June 2016

1. Incorporation and principal activities

Country of incorporation

The Company BrokerCreditService Structured Products Plc (the "Company") was incorporated in Cyprus on 18 March 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

The Company's original name was Gawling Company Limited.

Change of Company name

Gawling Company Limited announced that it has changed its name to BrokerCreditService Structured Products PLC on May 14, 2015. The company has also converted from a private company into a public company.

2. Unaudited financial statements

The financial statements for the six months ended on 30 June 2015 and 2016 respectively, have not been audited by the external auditors of the Company.

Principal activities

The principal activities of the Company, which are unchanged from last year, are to act as a holding, investment and financing company. The Company's main operation is the issuance of structured products in collaboration with other entities which are under common control, with the purpose of generating margins through a flow of products sold and execution of the appropriate hedging strategies in order to minimise risk.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

The Company has prepared these separate financial statements as all its subsidiaries would be excluded from inclusion in consolidated financial statements because the necessary information for inclusion of the subsidiaries in the consolidated financial statements cannot be obtained without disproportionate expense or undue delay in accordance with Article 142A(5)(b) of the Cyprus Companies Law, Cap. 113.

The European Commission has concluded that since parent companies are required by the EU 4th Directive to prepare their separate financial statements and since the Cyprus Companies Law, Cap.113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IAS 27 Consolidated and Separate Financial Statements requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

Adoption of new and revised IFRSs

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company with the exception of the following:

- Annual Improvements to IFRSs 2013: The improvements consist of changes to four standards. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The amendment did not have a significant effect on the Company's financial statements.

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are effective for annual periods beginning after 1 January 2016, which are relevant to the Company, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective from the commencement date of its first financial year beginning on or after 1 February 2015):

  - The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

- Annual Improvements to IFRSs 2014 (issued in September 2014 and effective for annual periods beginning on or after 1 January 2016):

  - The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

  The Company is currently assessing the impact of the amendments on its financial statements.

- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

  The Company is currently assessing the impact of the amendments on its financial statements.

3. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

New standards issued but not yet effective

- IFRS 9 "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  The Company is currently assessing the impact of the new standard on its financial statements.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

3. Significant accounting policies (continued)

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Income recognition

Income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. The Company recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Income earned by the Company is recognised on the following bases:

- **Income from investments in securities**

  Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

  Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

  The difference between the fair value of investments at fair value through profit or loss as at 30 June 2016 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in

3. Significant accounting policies (continued)

Income recognition (continued)

which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Commission and fee income**

  Commission and fees from brokerage activities which are earned on the execution of the underlying transaction are recorded on its completion, being the trade date of the transaction. All other commission and fees from brokerage activities are recognised based on the applicable service contracts, usually on a time-proportionate basis.

- **Other brokerage income**

  Other brokerage income is recognised on an accrual basis when the service has been provided.

- **Interest income**

  Interest income on all interest bearing financial assets with the exception of financial assets at fair value through profit or loss and derivatives is recognised using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

- **Dividend income**

  Dividend income is recognised when the right to receive payment is established.

Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance costs

The interest cost recognised in profit or loss is accrued on a time basis by reference to the principal amount charged at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the future expected cash flows to the carrying amount of the liability. Issue costs directly attributable to debt instruments are included in the determination of the effective interest rates.

Foreign currency translation

(1) **<u>Functional and presentation currency</u>**
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

3. Significant accounting policies (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Securities lending

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties in which case an obligation to return the securities is recorded at fair value and any fluctuations of the fair value are recorded in profit or loss for the year within gains less losses arising from trading securities.

The fixed fee is treated as interest income or interest expense and is accrued over the life of the securities lending agreement using the effective interest method.

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within borrowings.

3. Significant accounting policies (continued)

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Company, are recorded as loans receivable.

The difference between the sale and repurchase price is treated as interest income or interest expense and accrued over the life of reverse repo agreements and repo agreements respectively, using the effective interest method.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

3. Significant accounting policies (continued)

Financial instruments (continued)

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Financial assets at fair value through profit or loss

  This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be recognised within twelve months of the balance sheet date. The Company's financial assets at fair value through profit or loss comprise "financial assets at fair value through profit or loss" and "derivative financial assets".

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial liabilities designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. They include obligations to deliver financial assets borrowed by a short seller.

Gains or losses arising from changes in the fair value of the "financial liabilities at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Coupon interest on financial liabilities at fair value through profit or loss is recognised in profit or loss within "net gains/(losses) on financial assets at fair value through profit or loss".

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of

3. Significant accounting policies (continued)

Financial instruments (continued)

Borrowings (continued)

ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments
Derivative financial instruments which include Option Contracts, Forward Contracts, Credit Default Swaps and Contracts for Differences on metals, shares, commodities and foreign exchange forward contracts are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are determined by reference to third party market values. Derivative financial instruments are recognised in the balance sheet as assets when fair value is positive and as liabilities when fair value is negative. Derivative financial instruments form part of the Company's operating activities. Gains or losses arising from changes in the fair value of derivative financial instruments are presented in profit or loss in the period in which they arise.

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;

3. Significant accounting policies (continued)
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Derecognition of financial assets and liabilities

Financial assets

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

Financial liabilities

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

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The Company changed the presentation of its financial statements as the changed presentation provides information that is more appropriate and relevant to users of the financial statements. The revised structure is likely to continue, so that comparability is not impaired.

4. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds. The primary objectives of the financial risk management function are to establish risk limits and then to ensure that exposure to risks stays within these limits. The Company's risk management function is designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems. The Company regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice. The current structure of the risk framework implemented by the Company aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Company's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve overall objectives.

The responsibility for the overall framework of risk governance and management lies with the Board of Directors. Management recognises that the risk is embedded in all of the Company's activities and for this reason it recognises the need for the continuous identification, assessment, examination, and control of each type of risk. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Market price risk

Market price risk is the possibility that the Company may suffer a loss resulting from the fluctuations in the values of, or income from equity securities classified at fair value through profit or loss and derivative financial instruments. The Company is exposed to market price risk because of investments held by the Company and classified as financial assets at fair value through profit or loss which are susceptible to market price risk arising from uncertainties about future prices of these investments.

<u>Sensitivity analysis</u>
The table below summarizes the impact on the Company's post-tax profit and on own portfolio market value assuming that the prices of securities held by the Company had increased/decreased by 10% (2013 :20%) with all other variables held constant:

4. Financial risk management (continued)

4.1 Market price risk (continued)

	30 June 2016	31 December 2015
	€	€
Equity securities - Moscow exchange	**7,561,766**	6,252,037
Equity securities - New York Stock Exchange (NYSE)	**143,393,351**	106,745,382
Unlisted securities	**64,793,454**	57,967,089
Shares	**6,957,541**	6,156,467
	222,706,112	177,120,975

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's Board of Directors.

4.2 Interest rate risk

Interest rate risk is the risk that the Company's income or financial instrument portfolio may change due to interest rate fluctuations. The Company takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. The Company offers its clients overnight cash sweep programs that are interest rate sensitive. While clients earn interest for balances on deposit under the cash sweep programs, the Company earns a fee. These fees are based on prevailing interest rates in the current interest rate environment, but may be adjusted in an increasing or decreasing interest rate environment or for other reasons. Changes in interest rates and fees for the overnight cash sweep programs are monitored by the Company's management, which governs and approves any changes to fees. The management balances financial risk of the cash sweep programs with products that offer competitive client yields.

Interest rate risk management through monitoring of the mismatch of the maturities of interest bearing assets and interest bearing liabilities is supplemented by monitoring the sensitivity of financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves.

Interest-earning assets are financed primarily by brokerage client cash balances and deposits from banking clients. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances and proceeds from stock-lending activities, as well as equity. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	30 June 2016	31 December 2015
	€	€
Fixed rate instruments		
Financial assets	**52,245,569**	57,024,513
Financial liabilities	**66,182,583**	30,837,395
	118,428,152	87,861,908

4. Financial risk management (continued)

Sensitivity analysis
Any increase/(decrease) in interest rates will have no effect on results and equity of the Company, because, all financial instruments are at fixed rates.

4.3 Credit risk
Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company bears credit risk on margin lending activities, securities lending activities, its role as a counterparty in financial contracts and investing activities, the activities of clients, including the execution, settlement, and financing of various transactions on behalf of these clients. These activities are transacted on either a cash or margin basis. The Company seeks to control the risks associated with its customers' activities by requiring each trade to be carried out in accordance with margin policies. Each customer is required to have minimum funds in their account for opening positions, and for maintaining positions. The system automatically monitors each customer's margin requirements in real time, and confirms that every customer has sufficient funds in his or her account before their trades are executed. If at any point in time a customer's trading position does not comply with the applicable margin requirement, the position can be automatically partially or entirely liquidated in accordance with the margin policies and procedures. The Company adjusts its margin requirements if it believes its risk exposure is not appropriate based on market conditions. For collateralised securities transactions involving repurchase and resale agreements the Company is permitted to sell or re-pledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Company's Risk Management Committee. The Risk Management Committee is responsible for management of credit risk, including formulating credit policies, covering collateral requirements, adjusting margin requirements for certain securities, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating bands, market liquidity and country (for trading assets), and reviewing compliance of business units with agreed exposure limits. Collateral arrangements relating to margin loans, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. The credit risk exposure related to loans to banking clients is actively managed through individual and portfolio reviews performed by management. Management regularly reviews asset quality including concentrations, delinquencies, non-accrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses, which is reviewed quarterly by senior management.

The Company has exposure to credit risk due to its obligation to settle transactions with clearing corporations, mutual funds, and other financial institutions even if its client or a counterparty fails to meet its obligations to the Company. The Company acts as the investment manager for a number of mutual and real estate funds. Although it has no obligation to do so, the Company may decide for competitive reasons to provide credit, liquidity or other support to managed funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause the Company to take significant charges and could reduce liquidity. If the Company chose not to provide credit, liquidity or other support in such a situation, the Company could suffer reputational damage and its business could be adversely affected.

The Company is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or Company of similar counterparties or borrowers (e.g. in the same industry). Receivables from and payables to clients and securities borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is carefully monitored. Management seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The brokerage IT system automatically monitors the compliance with limits on each customer trading in the stock market as well as manual control on customers with transactions over-the-counter. In case of breach of limits the system automatically closes the credit position through disposal of pledged financial instruments (mainly quoted securities). The Company uses a wide range of techniques to reduce credit risk on its lending operations managing both individual transaction loss drivers, such as probability of default, loss given default and exposure at default, and systemic risk drivers on a portfolio basis. At the transaction level, an assessment of a borrower's ability to service the

4. Financial risk management (continued)
proposed level of debt is performed. Various forms of legal protection are used, such as netting agreements and covenants in commercial lending agreements, and credit enhancements techniques. At the portfolio level, diversification is managed to avoid excessive concentrations. Portfolio concentration limits include: (i) maximum exposure per borrower limit, (ii) industry concentration limit, (iii) loan maturity concentration limit, (iv) unsecured lending limit. Meanwhile, the Company should comply with statutory ratios on credit concentration risk.

The analysis by credit quality of financial assets is mainly based on Standard and Poor's rating and other ratings converted to the nearest equivalent to the Standard and Poor's rating scale. Pursuant to the policy on limits, the exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Company defines its risk appetite by approving a policy on limits, assigning authority to decide on risk taking issues to committees, and granting specific approval of large transactions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	30 June 2016	31 December 2015
	€	€
Loans receivable	**52,934,695**	35,971,775
Trade and other receivables	**109,165,817**	191,425,028
Cash at bank	**104,494**	116,730
Receivables from related companies	**255,972,196**	301,243,031
	418,177,202	528,756,564

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties.

4.4 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Liquidity needs are generally met through cash generated by the Company's subsidiaries, as well as cash provided by the shareholder, if required. The Company maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the business. Generally, the Company does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Brokercreditservice Ltd is subject to regulatory requirements that may restrict them from certain transactions, as further discussed below. Liquidity needs relating to client trading and margin borrowing activities are met primarily through cash balances in client brokerage accounts. Management believes that funds generated by the operations of subsidiaries will continue to be the primary funding source in meeting its liquidity needs, providing adequate liquidity to meet capital guidelines and net capital requirements of its regulated subsidiaries.

The cash position and cash flows are affected by changes in brokerage client cash balances and the associated amounts required to be segregated under regulatory guidelines. Timing differences between cash and investments actually segregated on a given date and the amount required to be segregated for that date may arise in the ordinary course of business and are addressed by the Company in accordance with applicable regulations. Other factors which affect the cash position and cash flows include investment activity in securities, levels of capital expenditures, acquisition and divestiture activity, banking client deposit activity, brokerage and banking client loan activity, payments of dividends, and repurchases and issuances of shares. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

4. Financial risk management (continued)

Liquidity risk arises if an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department by means of monitoring daily liquidity positions.

The Treasury Department prepares the liquidity profile of the financial assets and liabilities. The Treasury Department then builds up an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities, inter-bank facilities and cash balances, to ensure that sufficient liquidity is maintained.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

30 June 2016	**Carrying amounts**	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
	€	**€**	**€**	**€**	**€**	**€**
Trade and other payables	387,956,067	387,956,067	27,799,508	29,977,036	323,543,228	6,636,295
Payables to related parties	253,732,393	253,732,393	84,373,439	169,358,954	-	-
Loans from related companies	66,805,497	66,805,497	-	7,219,029	32,522,965	27,063,503
	708,493,957	**708,493,957**	**112,172,947**	**206,555,019**	**356,066,193**	**33,699,798**

31 December 2015	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
	€	€	€	€	€	€
Trade and other payables	413,467,672	413,467,672	69,579,080	233,898,004	107,763,935	2,226,653
Payables to related parties	278,264,820	278,264,820	-	278,264,820	-	-
Loans from related companies	31,505,179	31,505,179	-	-	31,505,179	-
	723,237,671	**723,237,671**	**69,579,080**	**512,162,824**	**139,269,114**	**2,226,653**

4. Financial risk management (continued)

4.5 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rouble and the United States Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows are denominated. This is generally achieved by obtaining financing in the relevant currency and by entering into forward foreign exchange contracts.

Borrowings and lending are denominated in currencies that match the cash flows generated by the underlying operations of the Company. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. In respect of monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015
	€	€	**€**	€
Euro	**13,272,636**	12,762,257	**8,186,094**	10,414,149
Russian Rubles	**148,799,716**	157,275,318	**169,217,026**	197,754,275
United States Dollars	**366,524,556**	563,221,194	**445,820,648**	584,529,921
British Pounds	**154,192**	1,411,588	**1,309,226**	2,628,239
Swiss francs	**55,213**	66,866	**646,353**	6,442,073
Japanese yen	**-**	-	**38,432**	33,278
Other Currencies	**-**	77	**686,225**	748,344
	528,806,313	734,737,300	**625,904,004**	802,550,279

Sensitivity analysis
A fluctuation of the United States Dollar or the Russian Rouble against the Euro at the balance sheet date as disclosed below would have an equal and opposite impact on the profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	Change in currency rate 2016	**Effect on pre-tax profit 2016**
	%	**€**
Russian Rouble	**30**	**524,709**
United States Dollars	**10**	**699,351**

	Change in currency rate 2015	Effect on pre-tax profit 2015
	%	€
Russian Rouble	30	844,466
United States Dollars	10	1,718,230

4. Financial risk management (continued)

4.6 Capital risk management
Capital includes equity shares and share premium, convertible preference shares and loan from parent company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

4.7 Fair value measurements recognised in statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
Financial assets				
Financial assets at fair value through profit and loss	315,656,565	64,793,454	-	380,450,019
Total	**315,656,565**	**64,793,454**	**-**	**380,450,019**

31 December 2015	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets				
Financial assets at fair value through profit and loss	198,324,995	57,288,530	-	255,613,525
Total	**198,324,995**	**57,288,530**	**-**	**255,613,525**

Significant assumptions used in determining fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise listed equity securities.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for bad and doubtful debts**

  The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets at fair value through profit or loss**

  The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

  In reaching estimates of fair value management judgment needs to be exercised. The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market is usually minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models which are standard across the industry and where all parameter inputs are quoted in active markets.

  The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized models and where some or all of the parameter inputs are less liquid or less observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modelling techniques. In particular, where data is obtained from infrequent market transactions then extrapolation and interpolation techniques must be applied. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

5. Critical accounting estimates and judgements (continued)

- **Impairment of investments in subsidiaries/associates**

  The Company periodically evaluates the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Valuation of non-listed investments**

  The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date.

- **Initial recognition of related party transactions**

  In the normal course of business the Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 20.

6. Direct expenditure

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
	€	€
Portfolio management fees	**19,780**	35,414
Brokerage expenses	**498,183**	1,121,663
	517,963	1,157,077

7. Other expenses

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
	€	€
Other operating expenses	**18,588**	63,847
Loss on irrecoverable bills of exchange	**-**	650,096
	18,588	713,943

8. Expenses by nature

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
	€	€
Auditors' remuneration	**1,190**	27,852
Computer software	**45,168**	84,006
Legal fees	**46,984**	441,468
Consulting fees	**31,279**	59,405
Total expenses	**124,621**	612,731

9. Finance income/cost

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
	€	€
Interest income	**-**	18,724
Exchange profit	**-**	19,301,307
Finance income	**-**	19,320,031
Net foreign exchange transaction losses	**(4,941,656)**	-
Interest expense	**(463)**	(296)
Sundry finance expenses	**(4,585)**	(7,393)
Finance costs	**(4,946,704)**	(7,689)
Net finance (costs)/income	**(4,946,704)**	19,312,342

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Period ended 30 June 2016

10. Financial instruments by category

	Fair value through profit or loss €	Loans and receivables €	Total €
Trade and other receivables	-	266,422,391	266,422,391
Loans granted	-	52,934,695	52,934,695
Cash and bank balances	-	104,494	104,494
Financial assets at fair value through profit or loss	380,450,019	-	380,450,019
Total	**380,450,019**	**319,461,580**	**699,911,599**

	Borrowings and other financial liabilities €	Total €
Borrowings	66,805,497	66,805,497
Trade and other payables	639,740,138	639,740,138
Total	**706,545,635**	**706,545,635**

31 December 2015	Fair value through profit or loss €	Loans and receivables €	Total €
Trade and other receivables	-	347,126,401	347,126,401
Loans granted	-	35,971,775	35,971,775
Cash and bank balances	-	116,730	116,730
Financial assets at fair value through profit or loss	255,613,525	-	255,613,525
Total	**380,450,019**	**383,214,906**	**638,828,431**

	Borrowings and other financial liabilities €	Total €
Borrowings	31,505,179	31,505,179
Trade and other payables	405,458,958	405,458,958
Total	**436,964,137**	**436,964,137**

11. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	30 June 2016 €	31 December 2015 €
Fully performing trade and other receivables		
Counterparties without external credit rating:		
Group 1	**4,985**	-

11 Credit quality of financial assets (continued)

Group 3	**184,348,923**	259,974,957
Total non-impaired trade and other receivables	**184,353,908**	259,974,957
Fully performing loans receivables		
Group 1	**52,934,838**	34,755,428
Group 3	**1,097,511**	233,909,449
Total fully performing loans receivable	**54,032,349**	268,664,877

Cash at bank and short term bank deposits

Caa2	**39,921**	36,435
Not rated - Internally assessed as adequately stable	**64,573**	80,295
	104,494	116,730

Group 1 - customers with no history of default.

Group 2 - balances with related parties with no history of default.

Group 3 - brokers with no history of default.

None of the financial assets that are fully performing has been renegotiated.

12. Investments in subsidiaries

	2016	2015
	€	€
Balance at 1 January	**5,707**	4,707
Additions		1,000
Exchange differences	**(13)**	-
Balance at 30 June/31 December	**5,694**	5,707

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	30 June 2016 Holding %	31 December 2015 Holding %	**30 June 2016 €**	31 December 2015 €
Routa Luxury Services Ltd	Cyprus	Trading in financial instruments	100	100	**2,000**	2,000
Flamel Global Limited	Cyprus	Trading in financial instruments	100	100	**1,000**	1,000
Seldthorn Private Equity Limited	Cyprus	Trading in financial instruments	100	100	**1,000**	1,000
Botimelo Group Ltd	British Virgin Islands	Trading in financial instruments	100	100	**694**	707
Kertina Group Ltd	Cyprus	Dormant	100	100	**1,000**	1,000
					5,694	5,707

13. Investments in associates

	2016	2015
	€	€
Balance at 1 January	**6,835,026**	6,835,026
Revaluation	**122,515**	-
Balance at 30 June/31 December	**6,957,541**	6,835,026

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	30 June 2016 Holding %	31 December 2015 Holding %
LLC Management Company "BCS - Real estate funds" DU Close-ended Mutual Fund of real estate "Real Estate Fund BCS"	Russia	Real Estate	25.23	25.23

14. Non-current loans receivable

	30 June 2016	31 December 2015
	€	€
Loans receivable	**52,934,695**	35,971,775
	52,934,695	35,971,775
Less current portion	**(9,033,515)**	(11,325,031)
Non-current portion	**43,901,180**	24,646,744

The loans are repayable as follows:

	30 June 2016	31 December 2015
	€	€
Within one year	**9,033,515**	11,325,031
Between one and five years	**43,901,180**	24,646,744
	52,934,695	35,971,775

The exposure of the Company to credit risk in relation to loans receivable is reported in note 4 of the financial statements.

The effective interest rates on receivables (current and non-current) were as follows:

	30 June 2016	31 December 2015
Loans receivable	**0.90-13%**	0.90-13%
Loans to related companies	**1%**	1-11.50%

15. Trade and other receivables

	30 June 2016	31 December 2015
	€	€
Trade receivables	**10,450,195**	45,883,370

15. Trade and other receivables (continued)

Repo loans receivable	**98,715,622**	145,344,210
Deferred expenses	**-**	197,448
	109,165,817	191,425,028

The Company does not hold any collateral over the trading balances.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 4 of the financial statements.

16. Financial assets at fair value through profit or loss

	2016	2015
	€	€
Balance at 1 January	**255,613,525**	126,012,248
Additions	**1,124,799,171**	1,908,526,027
Disposals	**(1,030,734,078)**	(1,789,620,570)
Change in fair value	**25,989,801**	(19,380,222)
Exchange differences	**4,781,600**	30,076,042
Balance at 30 June/31 December	**380,450,019**	255,613,525

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 30 June by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

17. Cash and cash equivalents

Cash balances are analysed as follows:

	30 June 2016	31 December 2015
	€	€
Cash at bank	**104,494**	116,730
	104,494	116,730

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 4 of the financial statements.

18. Share capital

	2016 Number of shares	**2016 €**	2015 Number of shares	2015 €
Authorised				
Ordinary shares of €1,71 each	**15,000**	**25,650**	15,000	25,650
Issued and fully paid				
Balance at 1 January	**15,000**	**25,650**	1,000	1,710
Issue of shares	**-**	**-**	14,000	23,940
Balance at 30 June/31 December	**15,000**	**25,650**	15,000	25,650

19. Trade and other payables

	30 June 2016	31 December 2015
	€	€
Trade payables	**185,453,266**	147,811,652
Repo loans payable	**200,554,479**	257,647,306
Accruals	**1,193**	26,776
Deferred income	**1,947,129**	8,008,714
	387,956,067	413,494,448

20. Related party transactions

The Company is a wholly owned subsidiary of BCS Holding International Limited (previously known as Amazon United Limited) incorporated in the British Virgin Islands. The ultimate controlling party is Mr. Oleg Mikhasenko, a Russian individual.

The following transactions were carried out with related parties:

20.1 Rendering of services

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
Income from entities under common control:	€	€
Interest income from overnight loans receivable	**395,509**	991,351
Interest income on repo loans	**1,563,945**	6,447,328
	1,959,454	7,438,679

20.2 Receiving of services

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
Expenses from entities under common control:	€	€
Brokerage expenses	**498,183**	1,121,663
Portfolio management fees	**19,780**	35,414
Other operating expenses	**18,588**	63,847
Interest expense on repo loans	**2,411,469**	5,882,721
	2,948,020	7,103,645

20.3 Repo loans to related parties

	30 June 2016	31 December 2015
Name	€	€
Related company	**255,972,196**	301,243,031
	255,972,196	301,243,031

20.4 Repo loans from related parties

	30 June 2016	31 December 2015
Name	€	€
Related company	**253,732,393**	278,264,820
	253,732,393	278,264,820

20. Related party transactions (continued)

20.5 Loans from related companies

	30 June 2016	31 December 2015
	€	€
Loans from related companies	**66,805,497**	31,505,179
	66,805,497	31,505,179

Loans from related companies include Credit Linked Notes issued in Russian Roubles of a total amount of EUR 21,413,726, including interest payable of EUR 349,328 (RUB 1,524,875,740 including interest payable of RUB 24,875,740). Interest with respect to the Credit Linked Notes is at a fixed rate of 12.5% per annum payable semi-annually and the maturity dates of the Notes issued is on 10 October 2019.

Loans from related companies also include Index Linked Perpetual Notes issued in United States Dollars of a total amount of EUR 45,391,771, including interest payable of EUR 354,841 (USD 50,393,944, including interest payable of USD 393,944). Interest with respect to the Index Linked Perpetual Notes is at a fixed rate of 4% for the period. The Notes have no fixed maturity date. The Notes will redeem on the later of (i) the date falling five (5) Business Days following the final Optional Redemption Date; and (ii) the date falling five (5) Business Days following the date on which the Issuer notifies the Fiscal Agent that the Hedging Entity has received in full the net proceeds of its liquidation and/or redemption of the Hedging Assets. The rate of return of the Notes is linked to the bond index dynamics.

21. Contingencies

a) Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and operational systems, as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

b) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the local authorities. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

22. Commitments

The Company had no capital or other commitments as at 30 June 2016.

23. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Period ended 30 June 2016

	Page	**Unaudited 6 months ended 30 June 2016 €**	Audited year ended 31 December 2015 €
Dividend income		**5,155,211**	1,218,328
Loan interest income		**1,301,693**	2,778,426
Net (loss)/gain on trading in financial instruments		**(4,589,166)**	7,020,462
Net gain/(loss) realised on trading in foreign currencies		**14,855,312**	(25,512,687)
Interest income from bonds		**10,587,195**	19,132,552
Interest income from repo loans		**1,563,945**	6,447,328
Interest expense from bonds		**(6,937,787)**	(14,056,547)
Interest expense from repo loans		**(2,411,469)**	(5,882,721)
Total revenue/(loss)		**19,524,934**	(8,854,859)
Loan interest expense		**(2,098,380)**	(6,022,974)
Direct expenditure	39	**(517,963)**	(1,157,077)
Gross profit/(loss)		**16,908,591**	(16,034,910)
Other operating income			
Sundry operating income		**-**	78,654
Change in fair value of derivative financial instruments		**(18,391,917)**	58,557,483
		(1,483,326)	42,601,227
Operating expenses			
Administration expenses	40	**(124,621)**	(612,731)
		(1,607,947)	41,988,496
Other operating expenses			
Other operating expenses		**(18,588)**	(63,847)
Loss on irrecoverable bills of exchange		**-**	(650,096)
Fair value gains/(losses) on financial assets at fair value through profit or loss		**25,989,801**	(19,380,222)
Operating profit		**24,363,266**	21,894,331
Finance income	41	**-**	19,320,031
Finance costs	41	**(4,946,704)**	(7,689)
Net profit for the period/year before tax		**19,416,562**	41,206,673

DIRECT EXPENSES
Period ended 30 June 2016

	Unaudited 6 months ended 30 June 2016 €	Audited year ended 31 December 2015 €
Direct Expenditure		
Portfolio management fees	**19,780**	35,414
Brokerage expenses	**498,183**	1,121,663
	517,963	1,157,077

ADMINISTRATIVE EXPENSES
Period ended 30 June 2016

	Unaudited 6 months ended 30 June 2016	Audited year ended 31 December 2015
	€	€
Administration expenses		
Computer software	**45,168**	84,006
Auditors' remuneration	**1,190**	27,852
Legal fees	**46,984**	441,468
Consulting fees	**31,279**	59,405
	124,621	612,731

FINANCE INCOME/COST
Period ended 30 June 2016

	Unaudited 6 months ended 30 June 2016 €	Audited year ended 31 December 2015 €
Finance income		
Other interest income	-	18,724
Unrealised foreign exchange profit	-	19,301,307
	-	19,320,031

Finance costs		
Interest expense		
Interest on taxes	**463**	296
Sundry finance expenses		
Bank charges	**4,585**	7,393
Net foreign exchange transaction losses		
Realised foreign exchange loss on futures	**171,116**	-
Unrealised foreign exchange loss	**4,770,540**	-
	4,946,704	7,689