BROKERCREDITSERVICE STRUCTURED PRODUCTS PLC

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Period from 1 January 2017 to 30 June 2017

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CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Dimitra Karkalli Lambros Soteriou
Company Secretary:	M. Kyprianou Fiduciaries Ltd
Independent Auditors:	Yiallourides & Partners Ltd Chartered Accountants
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

MANAGEMENT REPORT

The Board of Directors presents its report and unaudited consolidated financial statements of the Company and its subsidiaries for the period from 1 January 2017 to 30 June 2017.

For avoidance of doubt and for transparency purposes, it is hereby disclosed that the Company and its subsidiaries constitute an integral part of a wider group of companies (that might be also referred to in public sources as BCS Group or BCS Financial Group or FG BCS), the top-level holding company of the mentioned above being FG BCS Limited (incorporated and domiciled in Cyprus). The above-mentioned FG BCS group has full ownership and exercises control over a number of legal entities including those duly licensed and authorised for financial market services and investment activities, the appropriate licences and authorisations duly issued by EU and third countries regulators and authorities.

For the purposes of the present report, the term "Group" refers to the Company and its subsidiaries; unless otherwise is obvious or suggested from the content as well as the description or activities – in the latter case the term "Group" should be understood as referring to the Group's affiliate holding the respective license or authorisation. It is hereby confirmed that the activities of the Group are (to the extent required by law and applicable regulations) exercised with the necessary involvement of its affiliates holding the appropriate license, authorisation or permission.

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

Principal activities and nature of operations of the Group
BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another three companies, these being Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were fully disposed of on 21 June 2017. Each of the above mentioned wholly owned Subsidiaries is/was established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license).

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

Changes in group structure
Up to 18 July 2016, BrokerCreditService Structured Products Plc was a wholly owned subsidiary of BCS Holding International Limited, a company incorporated and domiciled in the British Virgin Islands as a holding company. During the year 2016, BCS Financial Group introduced a new top-level holding company, FG BCS Limited (incorporated and domiciled in Cyprus), to its group structure, and liquidated BCS Holding International Ltd. The new holding company is now the direct and ultimate holding company of BrokerCreditService Structured Products Plc.

Review of current position, future developments and performance of the Group's business
The Group's development to date, financial results and position as presented in the consolidated 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.

The most important highlights of the Group during the period ended 30 June 2017 were:

- Leading positions in sales of structured products to retail customers.
- Increase in the number of listed structured notes on the Moscow Stock Exchange.
- Ability for remote purchase of structured products.
- Increased range of structured products provided.

The Group's strategic goals and main developing points are:

- Increase of structured products' sales with low interest rates in USA and Europe and reduced rates in Russia
- Implementation of new types of products (i.e. introduction of new auto callable products)
- Sales diversification through partners and agents and development of remote and other distribution channels (i.e. promotion of online distribution of structured products through BCS channels, external partnership network extension, joint products with other entities under common control)
- Implementation and development of strategy product lines with volatility control
- Quasi endowment assurance development – implementation of products with partial payment option
- Wider range of covered bonds and stock
- Enhancement of Euro Medium Term Note program

Principal risks and uncertainties
The principal risks and uncertainties faced by the Group are disclosed in note 5 of the consolidated financial statements.

Existence of branches
The Group does not maintain any branches.

Use of financial instruments by the Group and financial risk management
The Group's activities expose it to a variety of financial risks: market risk, credit risk, currency risk and liquidity risk arising from the financial instruments it holds. The Company and its consolidated subsidiaries, as part of their operations and normal activities use various financial instruments such as options, futures, forward contracts, direct and reverse repurchase agreements, credit linked notes and other instruments which expose the Group to the financial risks mentioned above.

The Group's risk management function is designed to identify and analyse 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 Group 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 Group 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 Group'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 Group 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 Group'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 Group to manage these risks are discussed below:

Market price risk
Market price risk is the possibility that the Group 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 Group is exposed to market price risk because of investments held by the Group 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.

The Group maintains trading securities owned and securities sold but not yet purchased in order to facilitate client transactions and to meet a portion of clearing deposit requirements at various clearing organizations. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Activities to facilitate client and proprietary transactions are monitored by the broker dealer support services department. The level of securities deposited is monitored by the settlement area within broker dealer support services department.

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

Interest rate risk
Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. The Group 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 Group 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 fee and rate setting committee (the FRS committee), which governs and approves any changes to fees. The FRS committee 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 Group 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.

MANAGEMENT REPORT

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 Group 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 Group 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 Group 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 Group is permitted to sell or repledge 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 Group'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 Group 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 Group. 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 Group 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 Group to take significant charges and could reduce liquidity. If the Group chose not to provide credit, liquidity or other support in such a situation, the Group could suffer reputational damage and its business could be adversely affected.

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group 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 Group 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 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 Group should comply with statutory ratios on credit concentration risk.

MANAGEMENT REPORT

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.

Liquidity risk
The Group conducts substantially all of its business through its wholly-owned subsidiaries. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. The Group 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 Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. 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 Group 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.

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group 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 within the Group as a whole.

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.

Results
The Group's results for the period are set out on page 11. The net profit for the period attributable to the shareholders of the Group amounted to €16,357,538 (2016: €78,719,260). On 30 June 2017, the total assets of the Group were €3,191,846,724 (2016: €4,213,824,297) and the net assets of the Group were €172,175,603 (2016: €165,812,242).

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.

MANAGEMENT REPORT

Board of Directors
The members of the Company's Board of Directors as at 30 June 2017 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 2017 to 30 June 2017.

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 Group

(a) Operating environment of the Republic of Cyprus

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016 and the first semester of 2017. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. 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, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets.

The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including the weak growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

(b) Operating environment in Russia

After almost two years of recession, Russia has entered a path to recovery. With global growth and trade starting to strengthen at the end of 2016, Russia's economy showed signs of overcoming the recession caused by the shocks of low oil prices and economic sanctions. Tradable sectors benefitted from the relative price adjustment and stabilizing commodity prices in the second half of 2016, and became the main drivers of economic growth, partly through increased exports. There was a positive momentum in non-tradable sectors as well, which slowed the pace of contraction compared to 2015. The incipient positive momentum appears to have spilled into early 2017.

A moderate recovery of the global economy is expected for 2017, on the back of continued solid growth by commodity importers and a pickup in commodity exporters during the year. Russia is heading toward a moderate growth rate over the 2017-to-2019 period (between 1.3% and 1.4%), supported by rising oil prices and macroeconomic stability.

Russia had adapted well compared to other oil exporters. Oil prices plunged by 77% from June 2014 to January 2016, severely undermining the activities of energy exporters. However, the macroeconomic implications of the shock varied across countries. For Russia, growth adjustment happened earlier than for many oil exporters, reflecting the early impact of economic sanctions and the high inflation associated with the introduction of a floating exchange-rate regime.

Despite adverse terms-of-trade conditions in 2016 and continued restrictions on Russia's access to international capital markets, the balance of payment remained stable, with the real effective exchange rate slightly depreciating. The current account surplus shrank as the trade surplus decreased on lower export receipts, especially in the first half of the year. An incipient import recovery was an additional negative factor for the trade balance in the second half of 2016. Meanwhile, net capital outflows decreased on the back of lower debt payments. Relatively tight monetary policy increased interest in rouble assets and limited net capital outflows. Improved terms-of-trade conditions helped the current account in the first quarter of 2017, which translated into larger net capital outflows.

Unemployment in Russia decreased slightly, inflation slowed and real-wage growth resumed. But poverty also increased, as the sharp decline in pension income more than offset the incipient recovery in real wages. However, the prevalence of extreme poverty remained marginal.

The operating environments in Cyprus and in Russia may have a significant 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.

On the basis of the evaluation performed, the Group's management has concluded that no provisions or impairment charges are necessary. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group 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 26 to the consolidated financial statements.

Related party transactions
Disclosed in note 23 of the consolidated financial statements.

Independent Auditors
The Independent Auditors, Yiallourides & Partners Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Lambros Soteriou
Director

Limassol, 23 August 2017

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Independent Auditor's Report on review of interim unaudited financial statements

To the Members of BrokerCreditService Structured Products Plc

Introduction

We have reviewed the interim consolidated financial statements of BrokerCreditService Structured Products Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which are presented in pages 11 to 52 which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 January 2017 to 30 June 2017, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ('IAS34 Interim Financial Reporting'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon.

Our review on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report on review of interim unaudited financial statements (continued)

To the Members of BrokerCreditService Structured Products Plc

Other Matter

This report, including the conclusion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Athos Malialis
Certified Public Accountant and Registered Auditor
for and on behalf of

Yiallourides & Partners Ltd
Chartered Accountants

Limassol, 23 August 2017

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Period from 1 January 2017 to 30 June 2017

	Note	**01/01/2017-30/06/2017 €**	01/01/2016-31/12/2016 €
Commission and fee income	6	**140,022**	111,357
Dividend income		**3,586,762**	790,377
Loan interest income		**7,094,285**	17,451,645
Net gain/(loss) on trading in financial instruments		**2,439,546**	(18,750,100)
Net (loss)/gain realised on trading in foreign currencies		**(38,384,748)**	74,172,470
Net fair value gains on financial assets at fair value through profit or loss	18	**11,511,106**	55,997,089
Interest income from bonds		**22,471,753**	151,144,296
Interest income on reverse repurchase agreements		**29,673,996**	49,603,821
Interest expense from bonds		**(11,151,776)**	(125,098,199)
Loan interest expense		**(6,758,054)**	(5,223,229)
Interest expense on payables under repurchase agreements		**(53,518,829)**	(63,524,185)
Staff costs	9	**(44,114)**	-
Other operating income	7	**11,026,170**	6,678
Profit from investing activities		**2,519,497**	
Change in fair value of derivative financial instruments		**28,142,049**	(22,687,984)
Administration and other expenses		**(11,500,323)**	(20,017,264)
Operating (loss)/profit	8	**(2,752,658)**	93,976,772
Net finance income/(cost)	10	**19,110,518**	(15,257,512)
Profit before tax		**16,357,860**	78,719,260
Tax	11	**(322)**	-
Net profit for the period/year		**16,357,538**	78,719,260
Other comprehensive income			
Available-for-sale financial assets - Fair value gains		**7,348**	926,574
Other comprehensive income for the period/year		**7,348**	926,574
Total comprehensive income for the period/year		**16,364,886**	79,645,834

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Note	**30/06/2017** €	31/12/2016 €
ASSETS			
Non-current assets			
Available-for-sale financial assets	14	**7,605,622**	8,037,444
Non-current loans receivable	15	**84,072,596**	86,352,011
Loans to related companies	23	**88,884,528**	13,371,518
		180,562,746	107,760,973
Current assets			
Balances due from brokers	16	**-**	481,334
Trade and other receivables	17	**2,302,763**	196,245,323
Receivables from related companies	24	**1,416,399,161**	2,880,105,046
Financial assets at fair value through profit or loss	18	**1,591,009,405**	1,027,355,738
Cash and cash equivalents	20	**1,572,649**	1,875,883
		3,011,283,978	4,106,063,324
Total assets		**3,191,846,724**	4,213,824,297
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**25,650**	25,650
Other reserves		**(15,433,106)**	(5,438,929)
Retained earnings		**187,583,059**	171,225,521
Total equity		**172,175,603**	165,812,242
Non-current liabilities			
Loans from related companies	23	**397,983,195**	72,302,053
		397,983,195	72,302,053
Current liabilities			
Trade and other payables	22	**380,193**	409,939,555
Payables to related companies	23	**2,153,749,070**	3,474,870,439
Financial liabilities at fair value through profit or loss	18	**467,558,663**	90,900,008
		2,621,687,926	3,975,710,002
Total liabilities		**3,019,671,121**	4,048,012,055
Total equity and liabilities		**3,191,846,724**	4,213,824,297

On 23 August 2017, the Board of Directors of BrokerCreditService Structured Products Plc authorised these consolidated financial statements for issue.

....
Dimitra Karkalli
Director

....
Lambros Soteriou
Director

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period from 1 January 2017 to 30 June 2017

	Share capital €	Fair value reserve - available-for-sale financial assets €	Translation reserve €	Retained earnings €	Total €
Balance at 1 January 2016	**25,650**	**463,012**	**(33,952,190)**	**92,506,264**	**59,042,736**
Total comprehensive income for the year	-	-	-	78,719,260	78,719,260
Translation reserve for the year	-	-	27,123,675	-	27,123,675
Fair value adjustment	-	926,574	-	-	926,574
Balance at 31 December 2016/ 1 January 2017	**25,650**	**1,389,586**	**(6,828,515)**	**171,225,521**	**165,812,242**
Total comprehensive income for the period	-	-	-	16,357,538	16,357,538
Translation reserve for the period	-	-	(10,001,525)	-	(10,001,525)
Fair value adjustment	-	7,348	-	-	7,348
Balance at 30 June 2017	**25,650**	**1,396,934**	**(16,830,040)**	**187,583,059**	**172,175,603**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
Period from 1 January 2017 to 30 June 2017

	Note	01/01/2017 – 30/06/2017 €	01/01/2016 - 31/12/2016 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**16,357,860**	78,719,258
Adjustments for:			
Exchange difference arising on the translation of financial assets and financial liabilities at fair value through profit or loss		**35,448,668**	(55,469,075)
Unrealised exchange (profit)/loss		**(19,130,412)**	15,112,253
(Profit) from the sale of investments in subsidiaries		**(2,519,497)**	-
Change in fair value of derivative financial instruments		**(28,142,049)**	22,687,984
Fair value (gains)/losses on financial assets and liabilities at fair value through profit or loss		**(15,067,353)**	(58,639,839)
Fair value losses		**-**	-
Dividend income		**(3,586,762)**	(790,377)
Interest income		**(7,094,285)**	(218,200,788)
Interest expense	10	**6,758,054**	193,847,967
Translation reserve for the year		**(10,001,525)**	27,123,675
		(26,977,301)	4,391,058
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**193,942,560**	(80,924,599)
Decrease in balances with brokers		**481,334**	2,623,292
Decrease/(increase) in receivables from related companies		**1,463,705,885**	(1,696,498,158)
Increase in financial assets at fair value through profit or loss		**(585,407,018)**	(374,260,875)
Decrease/(increase) in derivative financial instruments		**406,611,910**	(23,861,625)
(Decrease)/increase in trade and other payables		**(409,559,362)**	314,376,350
(Decrease)/increase in payables to related companies		**(1,321,121,369)**	1,840,658,291
Cash used in operations		**(278,323,361)**	(13,496,266)
Interest received		**7,094,285**	218,200,788
Dividends received		**3,586,762**	790,377
Tax paid		**(322)**	(16,156)
Net cash used in operating activities		**(267,642,636)**	205,478,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries		**-**	-
Loans granted		**(73,233,595)**	(38,425,759)
Proceeds from sale of investments in subsidiary undertakings		**2,519,497**	-
Net cash used in investing activities		**(70,714,098)**	(38,425,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	-
Proceeds from loans from related companies		**325,681,142**	40,796,874
Unrealised exchange profit/(loss)		**19,130,412**	(15,112,253)
Interest paid		**(6,758,054)**	(193,847,967)
Net cash generated from financing activities		**338,053,500**	(168,163,346
Net decrease in cash and cash equivalents		**(303,234)**	(1,110,362)
Cash and cash equivalents at beginning of the period/year		**1,875,883**	2,986,245
Cash and cash equivalents at end of the period/year	20	**1,572,649**	1,875,883

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
Period from 1 January 2017 to 30 June 2017

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. Its registered office is at 116 Gladstonos street, M. Kyprianou Tower, 3rd and 4th floors, 3032 Limassol, Cyprus.

The Company's original name was Gawling Company Limited. On May 14, 2015, it was renamed into BrokerCreditService Structured Products Plc and converted from a private company into a public company.

2. Unaudited financial statements

The consolidated financial statements for the six months ended on 30 June 2017, have not been audited by the external auditors of the Company.

Principal activities and nature of operations of the Group

BrokerCreditService Structured Products Plc acts as an investment and financing company and conducts trading operations in the international securities markets (except for the investment activity that requires authorisation and/or license). This includes entering into transactions with market counterparties and related parties that are members of the Group. These transactions include, but are not limited to, repo transactions, loans and transactions in securities in the international capital markets including exchanges and Over-the-Counter ("OTC") markets. The Company also conducts investment activities in different types of bonds of both Russian and international issuers.

BrokerCreditService Structured Products Plc acts as the Group's operational company in Cyprus. In collaboration with other entities which are under common control, it issues structured products and executes various hedging strategies with the purpose of generating margins and minimising risk. Specifically, the Company issues Notes in bearer or registered form (respectively, "Bearer Notes" and "Registered Notes" and, together, the "Notes") under a Euro Medium Term Note Programme, which are to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market (the "Main Securities Market") as well as other and/or further stock exchange(s) or market(s) (including regulated markets). The Company also issues unlisted Notes and/or Notes not admitted to trading on any market.

As of the date hereof, the Group conducts its business through the following operating legal entities. These are Routa Luxury Services Ltd and Botimelo Group Ltd both of them being wholly owned subsidiaries of Brokercreditservice Structured Products Plc. During the period under review, Brokercreditservice Structured Products Plc had full control of another three companies, these being Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were fully disposed of on 21 June 2016. Each of the above mentioned wholly owned Subsidiaries is/was established to carry on any trade or activity whatsoever related to, connected with or involving shares, stock, debentures, debenture stock, bonds, notes, obligations, warrants, options, derivatives, commodities and any other instruments related to equity, debt or commodities of all kinds (except for the investment activity that requires authorisation and/or license).

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

3. Significant accounting policies

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

3. Significant accounting policies (continued)

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. 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 2016 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 at fair value through profit or loss (including derivative financial instruments).

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 Group'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.

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

Adoption of new and revised IFRSs

During the current year 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 2012. The basis for conclusions on IFRS13 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. This amendment did not result in any changes in the Company's financial statements.
- Disclosure Initiative Amendments to IAS 1. The Standard was amended to clarify the concept of materiality and explain that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS. As a result of this disclosure initiative, the Company has applied the concept of materiality in disclosures in the financial statements.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations 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:

3. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

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

  i) 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).

  ii) 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.

  iii) 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.

  iv) 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.

  v) FRS 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.

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is currently assessing the impact of the new standard on its financial statements.

3. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)*. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

- IAS 7 (Amendments) "Disclosure Initiative" (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company is currently assessing the impact of the amendments on its financial statements.

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)*. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a nonmonetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Company is currently assessing the impact of the amendments on its financial statements.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

Basis of consolidation

Subsidiaries are companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is actually transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company BrokerCreditService Structured Products Plc and the financial statements of the subsidiaries Routa Luxury Services Ltd and Botimelo Group Ltd. The companies Flamel Global Limited, Seldthorn Private Equity Limited and Kertina Group Ltd which were also subsidiaries of BrokerCreditService Structured Products Plc, were disposed of on 21 June 2017 therefore they were deconsolidated on this date thereon.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. Significant accounting policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group 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 consolidated 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 Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group'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 Group'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 Group'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 a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant accounting policies (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Income recognition

Income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group 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 Group's activities as described below. The Group 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:

- **Rendering of services**

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **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.

- **Commission and fee income**

  Commissions 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 commissions and fees from brokerage activities are recognised based on the applicable service contracts, usually on a time-proportionate basis.

3. Significant accounting policies (continued)

Income recognition (continued)

- **Interest income and expense**

  Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

- **Dividend income**

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

Employee benefits

The Group and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Group's contributions are expensed as incurred and are included in staff costs. The Group has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Group'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 Group's functional and presentation currency.

(2) **Transactions and balances**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the spot exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit 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.

3. Significant accounting policies (continued)

Tax (continued)

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 in the country in which the Company operates and generates taxable income. 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.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

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 statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as pledged securities. The corresponding liability is presented within borrowings.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, 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.

3. Significant accounting policies (continued)

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 obligation to return the securities is recorded at fair value in financial liabilities at fair value through profit or loss.

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

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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group 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 Group 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 Group 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 uncollectability. 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 Group 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 Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- 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 Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within twelve months of the reporting date.

3. Significant accounting policies (continued)

Financial instruments (continued)

<u>Financial assets</u> (continued)

(2) <u>Recognition and measurement</u>

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

Financial instruments (continued)

<u>Financial assets</u> (continued)

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

<u>Financial liabilities at fair value through profit or loss</u>

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group 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 Group'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 statement of comprehensive income 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 instruments at fair value through profit or loss".

<u>Trade and other payables</u>

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.

<u>Derivatives and hedge accounting</u>

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 statement of financial position 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 Group'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. The Group does not apply hedge accounting.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Group 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 Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, 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 Group 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 Group 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.

3. Significant accounting policies (continued)

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 Group 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

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

4. Risk management

Overview
The Group's business activities expose it to a variety of financial risks, including market, credit, liquidity risks, and non-financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Group. This note presents information about the Group's exposure to these risks, its objectives, policies and processes for measuring and managing risks.

Senior management takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Risk Management Department, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The Risk Management Department focuses on these specific areas:

- corporate asset-liability management, focusing on liquidity, capital resources, interest rate risk, and investments.

- credit and market risk, focusing on credit exposures resulting from client borrowing activity, corporate credit and investment activity, and market risk resulting from the Group taking positions in certain securities to facilitate client trading activity.

- information security and privacy, focusing on information security and privacy policies, procedures and controls.

- investment management, focusing on activities in which the Group and its principals operate in an investment advisory capacity.

- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

The Risk Management Department reviews major risk exposures and reports regularly to the Management Board and Board of Directors. The compliance, finance, internal control, legal, and corporate risk management departments assist management in evaluating, testing, and monitoring risk management. Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with product manufacturers. The client related policies address the extension of credit for client accounts, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Group's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Group will not suffer unexpected losses due to operating or other risks.

4.1 Market price risk

Market price risk is the possibility that the Group 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 Group is exposed to market price risk because of investments held by the Group 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.

The Group maintains trading securities owned and securities sold but not yet purchased in order to facilitate client transactions and to meet a portion of clearing deposit requirements at various clearing organizations. These securities include debt securities issued by the Russian government, corporate debt securities and equity securities. Changes in the value of trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Group manages its trading inventory by product type.

Activities to facilitate client and proprietary transactions are monitored by the broker dealer support services department. The level of securities deposited is monitored by the settlement area within broker dealer support services department.

4. Risk management (continued)

4.1 Market price risk (continued)

Price risk for equity securities is the risk of changes in value of a financial instrument as a result of changes in market prices regardless of whether they have been caused by factors specific for a particular instrument or factors influencing all instruments traded in the market. Price risk for equity securities exists when the Group has a long or short position in an equity financial instrument.

Sensitivity analysis
The table below summarizes the impact on the Company's pre-tax profit and on own portfolio market value assuming that the prices of securities held by the Company had increased/decreased by 10% (2016 :10%) with all other variables held constant:

Year-end market value of Company's portfolio	**30/06/2017**	31/12/2016
	€	€
Equity securities - Moscow Stock Exchange	**57,788,746**	49,211,688
Equity Securities - New York Stock Exchange (NYSE)	**269,452,612**	242,089,750
Unlisted securities	**100,602,516**	107,844,612
Shares	**7,605,622**	7,110,870
	435,449,496	406,256,920

Pre-tax profit would have been increased/decreased by EUR 43,544,950 (2016: +/- EUR 40,625,692) if the prices of securities held by the Company had increased/decreased by 10% (2016: +/- 10%).

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

4.2 Interest rate risk

Interest rate risk is the risk that the Group's income or financial instrument portfolio may change due to interest rate fluctuations. The Group takes on exposure to the effects of fluctuations in prevailing market interest rates on its financial position and cash flows. The Group 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 Group 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 fee and rate setting committee (the FRS committee), which governs and approves any changes to fees. The FRS committee 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 Group 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.

4. Risk management (continued)

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

	30/06/2017	31/12/2016
	€	€
Fixed rate instruments		
Financial assets	**172,107,537**	117,816,989
Financial liabilities	**394,890,528**	80,611,581
	566,998,065	198,428,570

Sensitivity analysis

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

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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group. 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 Group 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 Group to take significant charges and could reduce liquidity. If the Group chose not to provide credit, liquidity or other support in such a situation, the Group could suffer reputational damage and its business could be adversely affected.

4. Risk management (continued)

4.3 Credit risk (continued)

The Group is subject to concentration risk if it extends large loans to or have large commitments with a single counterparty, borrower, or group 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 Group 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 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 Group 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:

	30/06/2017	31/12/2016
	€	€
Available-for-sale financial assets	**7,605,622**	8,037,444
Loans receivable	**84,072,596**	86,352,011
Loans receivables from related parties	**88,884,528**	13,371,518
Trade and other receivables	**2,230,493**	105,515,585
Cash at bank	**1,572,649**	1,875,883
Receivables from related parties	**1,416,399,161**	2,879,555,492
	1,600,765,049	3,094,707,933

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

4. Risk management (continued)

4.4 Liquidity risk

The Group conducts substantially all of its business through its wholly-owned subsidiaries. The capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements. Liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by the shareholder, if required. The Group 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 Group does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. 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 Group 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.

Liquidity risk is the risk that an entity will encounter difficulties with raising money in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group 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 within the Group as a whole.

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 Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

4. Risk management (continued)

4.4 Liquidity risk (continued)

30 June 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivatives:	€	€	€	€	€	€
Bank overdrafts	30	30	30	-	-	-
Trade and other payables	348,868	348,868	341,728	7,140	-	-
Payables to related parties	1,817,414,171	1,817,414,171	1,210,824,202	606,289,867	300,101	-
Loans from related companies	397,983,195	397,983,195	-	-	65,613,883	332,369,312
Derivatives:						
Swaps	29,363,693	29,363,693	-	1,275,786	28,087,907	-
Forward contracts	306,971,206	306,971,206	5,950,466	46,203,966	221,112,530	33,704,244
Futures	31,327	31,327	31,327	-	-	-
Total	**2,552,112,490**	**2,552,112,490**	**1,217,147,753**	**653,776,759**	**315,114,421**	**366,073,556**

31 December 2016	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivatives:	€	€	€	€	€	€
Trade and other payables	587,367,918	587,367,918	260,576,815	294,277,421	28,885,915	3,627,767
Payables to related parties	3,297,407,203	3,297,407,203	3,290,140,373	1,648,841	5,617,989	-
Loans from related companies	72,302,053	72,302,053	8,058,889	-	35,757,846	28,485,318
Derivatives:						
Futures	70,005	70,005	-	70,005	-	-
Forward contracts	470,619,362	470,619,362	10,735,980	459,883,382	-	-
Options	6,891,246	6,891,246	-	6,891,246	-	-
Total	4,434,657,787	4,434,657,787	3,569,512,057	762,770,895	70,261,750	32,113,085

4.5 Currency risk

Currency risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity. Foreign currency risk is managed at the Group level by monitoring limits daily on the level of exposure by each currency. Management has a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury. Nevertheless, the Group does not qualify for hedge accounting in accordance with IAS 39. In addition, the Group 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. The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the United States Dollar and the Russian Rouble.

Borrowings and lending are denominated in currencies that match the cash flows generated by the underlying operations of the Group. 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 Group'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 Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

4. Risk management (continued)

	Liabilities		**Assets**	
	30/06/2017	31/12/2016	**30/06/2017**	01/01/2016-31/12/2016
	€	€	**€**	€
Euro	**44,547,951**	214,504,608	**152,247,363**	209,408,355
United States Dollars	**2,157,842,265**	2,233,811,388	**2,129,989,913**	2,412,987,894
British Pounds	**4,891,918**	4,592,835	**2,908,782**	2,608,026
Russian Roubles	**812,389,019**	1,595,155,998	**891,043,206**	1,603,106,139
Swiss Francs	**-**	-	**14,925,043**	1,106,857
Japanese Yen	**-**	-	**34,311**	35,520
Other currencies	**-**	-	**698,135**	583,554
	3,019,671,153	4,048,064,829	**3,191,846,753**	4,229,836,345

Sensitivity analysis

A fluctuation of the United States Dollar or the Russian Rouble against the Euro at the reporting 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		**Effect on pre-tax profit**	
	30/06/2017	31/12/2016	**30/06/2017**	01/01/2016-31/12/2016
	%	%	**€**	€
United States Dollars	**10**	10	**(2,785,235)**	17,917,651
Russian Roubles	**(20)**	(20)	**(15,730,837)**	(1,590,028)
British Pounds	**(20)**	20	**396,627**	(396,962)

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

4.6 Capital risk management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or raise debt.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by senior management.

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4. Risk management (continued)

4.7 Fair value measurement

Fair value measurements recognised in consolidated 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). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Management applies judgement in categorising financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety. The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016:

30 June 2017	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Financial assets at fair value through profit or loss	1,490,310181	100,699,223	-	1,591,009,405
Derivative financial assets	63,251,793	-	-	63,251,793
Total	**1,553,561,974**	**100,699,223**	**-**	**1,654,261,197**
Financial liabilities				
Financial liabilities at fair value through profit or loss	467,558,663	-	-	467,558,663
Derivative financial liabilities	336,366,226	-	-	336,366,226
Total	**803,924,889**	**-**	**-**	**803,924,889**

4. Risk management (continued)

31 December 2016	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets				
Financial assets at fair value through profit or loss	919,503,811	107,851,927	-	1,027,355,738
Derivative financial assets	1,574,484	-	-	1,574,484
Total	921,078,295	107,851,927	-	1,028,930,222
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	90,900,008	-	90,900,008
Derivative financial liabilities	250,190,401	227,061,525	-	477,251,926
Total	250,190,401	317,961,533	-	568,151,934

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

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair values of financial assets and financial liabilities are determined as follows. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial 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 instruments held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise listed equity securities.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

4. Risk management (continued)

4.8 Offsetting financial assets and liabilities

30 June 2017

	(A) Gross amounts of recognised financial assets	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/ (liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	€	€	€	€	€
Forward contracts		306,971,206	(306,971,206)		(306,971,206)
SWAPs	63,179,522	92,515,212	(29,335,690)		(29,335,690)
Futures	72,270	31,327	40,944		40,944
REPO (reverse)	1,061,437,475	-	1,061,437,474		1,061,437,474
REPO (direct)	-	1,544,460,428	(1,544,460,428)		(1,544,460,428)
Shares	435,449,495	52,460,659	382,988,837		382,988,837
Bonds	1,163,165,531	415,098,004	748,067,527		748,067,527
Receivables	294,012,658	-	294,012,658		294,012,658
Payables		210,151,121	(210,151,121)		(210,151,121)
Loans	172,957,124	397,983,195	(225,026,071)		(225,026,071)
Total:	**3,190,274,075**	**3,019,671,152**	**170,602,922**		**170,602,922**

31 December 2016

	(A) Gross amounts of recognised financial assets	(B) Gross amounts of recognised financial liabilities	(C=A-B) Net amounts of assets/ (liabilities) presented in the Statement of Financial Position	(D) Other amounts subject to an enforceable master netting arrangement (not off set)	(E=C-D) Total net amounts
	€	€	€	€	€
Forward contracts		470,295,064	(470,295,064)		(470,295,064)
Options	25,804	2,129,494	(2,103,690)		(2,103,690)
Futures	38,018	3,316,705	(3,278,687)		(3,278,687)
REPO (reverse)	699,532,907		699,532,907		699,532,907
REPO (direct)		1,126,716,901	(1,126,716,901)		(1,126,716,901)
Shares	407,183,494	17,946,968	389,236,526		389,236,526
Bonds	628,215,418	72,953,041	555,262,377		555,262,377
Receivables	2,390,346,809		2,390,346,809		2,390,346,809
Payables		2,296,506,308	(2,296,506,308)		(2,296,506,308)
Loans	110,086,842	81,549,179	28,537,663		28,537,663
Total:	**4,235,429,292**	**4,071,413,660**	**164,015,632**		**164,015,632**

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 Group'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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

- **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 Group 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 measurement of financial instruments**

  The Group 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. Changes in the management's assumptions could affect reported fair values.

  When applicable, the Group provides a sensitivity analysis of the impact upon the level 3 financial instruments of using a reasonably possible alternative for the unobservable parameter. The determination of reasonably possible alternatives requires significant management judgment. Please refer to Note "3.7 Fair value estimation" for more information.

5. Critical accounting estimates and judgements (continued)

- **Impairment of available-for-sale financial assets**

  The Group follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- **Initial recognition of related party transactions**

  In the normal course of business, the Group 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. Receivables from/ payable to related parties are stated at their transacted values as they are on demand. Management believes that their fair value is not materially different from their transacted values.

6. Commission and fee income

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Rendering of services	**140,006**	42,601
Commissions receivable	**16**	68,756
	140,022	111,357

7. Other operating income

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Margin by open position	**10,169,038**	-
Profit from repayment of securities	**-**	6,629
Consulting services rendered	**855,715**	-
Other operating income	**1,417**	49
	11,026,170	6,678

8. Operating (loss)/profit

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Operating (loss)/profit is stated after charging the following items:		
Staff costs (Note 9)	**44,114**	-
Auditors' remuneration - current period	**11,875**	72,449
Auditors' remuneration - prior years	**-**	5,624
Research and development expenses (included in "Administration and other expenses")	**218,557**	-

9. Staff costs

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Salaries	**43,752**	-
Social security costs	**362**	-
	44,114	-

10. Finance income/cost

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Finance income		
Unrealised foreign exchange profit	**24,962,470**	-
	24,962,470	-
Finance costs		
Interest expense		
Interest on taxes	-	1,327
Sundry finance expenses		
Bank charges	**19,894**	20,007
Net foreign exchange losses		
Realised foreign exchange loss	-	123,925
Unrealised foreign exchange loss	**5,832,058**	15,112,253
	5,851,952	15,257,512

11. Tax

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Corporation tax - current period/year	**322**	-
Charge for the period/year	**322**	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Profit before tax	**16,357,860**	78,719,260
Tax calculated at the applicable tax rates	**2,044,733**	9,839,908
Tax effect of expenses not deductible for tax purposes	**1,996,283**	-
Tax effect of allowances and income not subject to tax	**(6,578,012)**	(9,839,908)
Tax effect of tax loss for the period/year	**2,537,318**	-
Tax charge	**322**	-

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11. Tax (continued)

11.1 Tax recognised in other comprehensive income

	01/01/2017-30/06/2017	01/01/2016-31/12/2016
	€	€
Total income tax recognised in other comprehensive income	-	-

The corporation tax rate is 12,5% (2015:12,5%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

12. Financial instruments by category

30 June 2017	Available-for-sale financial assets	Assets at fair value through profit or loss	Loans and receivables	Total
	€	**€**	**€**	**€**
Assets as per consolidated statement of financial position:				
Trade and other receivables (excluding prepayments, deferred expenses and statutory balances)	-	-	1,355,377,861	1,355,377,861
Loans granted	-	-	172,957,124	172,957,124
Financial assets	7,605,622	-	-	7,605,622
Cash and bank balances (excluding cash in hand)	-	-	1,572,649	1,572,649
Derivative financial assets	-	-	63,251,793	63,251,793
Financial assets at fair value through profit or loss	-	1,591,009,405	-	1,591,009,405
Total	**7,605,622**	**1,591,009,405**	**1,593,159,427**	**3,191,774,454**

	Borrowings and other financial liabilities	Total
	€	**€**
Liabilities as per consolidated statement of financial position:		
Borrowings	397,983,195	397,983,195
Trade and other payables	1,817,548,780	1,817,548,780
Derivative financial liabilities	336,366,226	336,366,226
Total	**2,551,898,201**	**2,551,898,201**

12. Financial instruments by category (continued)

31 December 2016	Available-for-sale financial assets	Assets at fair value through profit or loss	Loans and receivables	Total
	€	€	€	€
Assets as per consolidated statement of financial position:				
Trade and other receivables (excluding prepayments, deferred expenses and statutory balances)	-	-	2,986,032,145	2,986,032,145
Loans granted	-	-	99,723,529	99,723,529
Financial assets	8,037,444	-	-	8,037,444
Cash and bank balances (excluding cash in hand)	-	-	1,875,883	1,875,883
Balances due from brokers	-	-	1,080,008	1,080,008
Derivative financial assets	-	-	63,822	63,822
Financial assets at fair value through profit or loss	-	1,027,410,856	-	1,027,410,856
	8,037,444	1,027,410,856	3,088,775,387	4,124,223,687

	Borrowings and other financial liabilities	Total
	€	€
Liabilities as per consolidated statement of financial position:		
Borrowings	72,302,053	72,302,053
Trade and other payables	3,543,220,113	3,543,220,113
Derivative financial liabilities	245,432,898	245,432,898
	3,860,955,064	**3,860,955,064**

13. 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:

	30/06/2017	31/12/2016
	€	€
Fully performing trade and other receivables		
Counterparties without external credit rating:		
Group 1	**2,230,493**	261,555
Group 2	-	786,878
Group 3	-	3,094,365,929
	2,230,493	3,095,414,362
Total fully performing trade and other receivables	**2,230,493**	3,095,414,362
Fully performing loans receivable		
Group 1	**84,072,596**	94,975,984
Group 2	**88,884,528**	611,068,641
	172,957,124	706,044,625

13 Credit quality of financial assets (continued)

Cash at bank and short-term bank deposits		
Caa1	**120,243**	255,117
Caa2	**-**	10,112
Not rated - Internally assessed as adequately stable	**1,452,435**	1,610,654
	1,572,678	1,875,883

Group 1 - customers with no history of default.

Group 2 - companies within the group, common control companies and associates with no defaults in the past.

Group 3 - brokers with no history of default.

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

14. Available-for-sale financial assets

	2017	2016
	€	€
Balance at 1 January	**8,037,444**	6,156,467
Exchange differences	**(439,170)**	954,403
Revaluation difference transferred to equity	**7,348**	926,574
Balance at 30 June/31 December	**7,605,622**	8,037,444

	Fair values 30/06/2017	**Cost 30/06/2017**	Fair values 31/12/2016	Cost 31/12/2016
	€	**€**	€	€
Securities listed on a Stock Exchange	**7,605,622**	**6,722,328**	-	-
Non-listed securities	**-**	**-**	8,037,444	7,110,870
	7,605,622	**6,722,328**	8,037,444	7,110,870

Available-for-sale financial assets, comprising principally marketable equity securities, are fair valued annually at the close of business on 30 June. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying assets. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within twelve months from the reporting date or unless they will need to be sold to raise operating capital.

15. Non-current loans receivable

	30/06/2017	31/12/2016
	€	€
Loans receivable	**84,072,596**	86,352,011
	84,072,596	86,352,011

The loans are repayable as follows:

	30/06/2017	31/12/2016
	€	€
Between one and five years	**84,072,596**	86,352,011

15. Non-current loans receivable (continued)

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

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

	30/06/2017	31/12/2016
Loans receivable	**0.90-13%**	0.90-13%
Loans to related companies	**1%**	1%

16. Balances due from brokers

	30/06/2017	31/12/2016
	€	€
Balances due from brokers		
Margin accounts	**-**	481,334
	-	481,334

17. Trade and other receivables

	30/06/2017	31/12/2016
	€	€
Trade receivables	**2,230,493**	105,501,222
Deferred expenses	**72,270**	90,739,732
Refundable VAT	**-**	4,369
	2,302,763	196,245,32

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

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

18. Financial instruments at fair value through profit or loss

Financial assets	2017	2016
	€	€
Balance at 1 January	**1,027,355,738**	537,291,791
Additions	**5,070,503,667**	6,145,860,409
Disposals	**(4,485,096,649)**	(5,771,599,534)
Change in fair value	**14,530,245**	58,774,544
Exchange differences	**(36,283,596)**	57,028,528
Balance at 30 June/31 December	**1,591,009,405**	1,027,355,738
Financial liabilities	**2017**	2016
	€	€
Balance at 1 January	**90,900,008**	89,425,088
Additions	**1,804,519,902**	2,835,538,626
Disposals	**(1,426,050,041)**	(2,836,712,267)
Change in fair value	**(537,108)**	134,705
Exchange differences	**(1,274,098)**	2,513,856
Balance at 30 June/31 December	**467,558,663**	90,900,008

18. Financial instruments at fair value through profit or loss (continued)

Financial instruments designated as at fair value through profit or loss are analysed as follows:

	30/06/2017	31/12/2016
	€	€
Financial assets at fair value through profit or loss		
Equity securities - Moscow Stock Exchange	**57,791,421**	49,211,689
Equity securities - New York Stock Exchange (NYSE)	**269,452,612**	242,089,750
Unlisted securities	**100,599,841**	107,844,612
Debt securities - Bonds	**1,163,165,531**	620,172,243
	1,591,009,405	1,019,318,294
Financial liabilities at fair value through profit or loss		
Equity securities - Moscow Stock Exchange	**(52,460,659)**	(385,326)
Short selling securities	**-**	(86,181,283)
Debt securities - Bonds	**(415,098,004)**	(4,333,399)
	(467,558,663)	(90,900,008)

The carrying amounts of the above financial assets are classified as follows:

	30/06/2017	**30/06/2017**	Fair values 31/12/2016	Cost 31/12/2016
	€	**€**	€	€
Financial assets at fair value through profit or loss - Held for trading	**1,591,009,405**	-	1,027,355,738	-
Financial liabilities at fair value through profit or loss - Held for trading	**(467,558,663)**	-	(90,900,008)	-

In the statement of cash flows, financial instruments 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.

19. Derivative financial instruments

The fair values of the Group's derivative financial instruments are analysed as follows:

	Assets 30/06/2017	**Liabilities 30/06/2017**	Assets 31/12/2016	Liabilities 31/12/2016
	€	**€**	€	€
Foreign currency forward contracts	**-**	**1,440,643**	-	3,087,566
Other forward contracts	**-**	**305,530,564**	-	467,531,796
Futures	**72,270**	**31,327**	1,548,756	70,005
Options	**-**	**-**	25,855	6,891,246
Swaps	**63,179,522**	**92,515,212**	-	-
	63,251,793	**399,517,746**	1,574,612	477,580,613

Derivative financial assets are included in the Current Assets under Receivables from related parties (Note 23.4) while Derivative financial liabilities are included in the Current Liabilities under Payables to related parties (Note 23.6) in the Statement of financial position.

Derivative financial instruments are presented within the section of operating activities as part of changes in working capital in the statement of cash flows. Changes in the fair value of derivative financial instruments are recorded on the face of the statement of comprehensive income.

20. Cash and cash equivalents

Cash balances are analysed as follows:

	30/06/2017	31/12/2016
	€	€
Cash at bank	**1,572,649**	1,875,883
	1,572,649	1,875,883

Cash and cash equivalents by currency:

	30/06/2017	31/12/2016
	€	€
Euro	**149,288**	311,583
United States Dollars	**651,779**	1,418,271
Russian Roubles	**762,316**	143,758
British pounds	**9,266**	2,271
	1,572,649	1,875,883

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

21. Share capital

	2017 Number of shares	**2017 €**	2016 Number of shares	2016 €
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**	15,000	25,650
Balance at 30 June/31 December	**15,000**	**25,650**	15,000	25,650

22. Trade and other payables

	30/06/2017	31/12/2016
	€	€
Trade payables	**165,936**	313,718,990
Social insurance and other taxes	**8,868**	-
Accruals	**174,062**	98,355
Other creditors	**-**	100
Deferred income	**31,327**	96,122,110
	380,193	409,939,555

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
Period from 1 January 2017 to 30 June 2017

23. Related party transactions

Until 2016, the Company was a wholly owned subsidiary of BCS Holding International Limited (previously known as Amazon United Limited) incorporated and domiciled in the British Virgin Islands as a holding company. In 2016, BCS Holding International Limited was liquidated and a new top level holding company was introduced to the Group, known as FG BCS Limited whose registered office is at Prevezis 13, 1st floor, Office 101, 1065, Nicosia, Cyprus. The new holding company is now the direct and ultimate holding company of BrokerCreditService Structured Products Plc.

The ultimate shareholder owning and controlling party is Mr. Oleg Mikhasenko, a Russian individual who is the sole ultimate beneficial owner of the Group.

The following transactions were carried out with related parties:

23.1 Sales of services and other net gains

	Nature of transactions	**01/01/2017-30/06/2017 €**	01/01/2016-31/12/2016 €
BrokerCreditService (Cyprus) Limited	Interest income on reverse repos	**31,301,069**	28,937,621
	Interest income on overnight loans receivable	**615,572**	603,063
	Interest income on deposits	**7,140**	-
	Net fair value gains on financial instruments at fair value through profit or loss	**-**	56,923,663
	Interest income from bonds	**9,250,552**	-
	Net gain on trading in financial instruments	**82,562,861**	-
BCS Prime Brokerage Limited	Net gain on trading in foreign currencies	**8,209,108**	-
	Interest income on loans receivable	**78,794**	-
	Interest income on reverse repos	**22,468**	57,431
BCS LLC	Interest income on loans receivable	**79**	7
FG BCS Ltd	Interest income on loans receivable	**743,659**	94
BCS-Forex Limited	Interest income on loans receivable	**25**	50
Oleg Mikhasenko	Interest income on loans receivable	**2,855,730**	12,138,338
		135,647,057	98,660,267

23.2 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	01/01/2017-30/06/2017 €	01/01/2016-31/12/2016 €
Directors' remuneration	**3,000**	3,000
	3,000	3,000

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
Period from 1 January 2017 to 30 June 2017

23. Related party transactions (continued)

23.3 Purchases of services and other net losses

	Nature of transactions	**01/01/2017-30/06/2017 €**	01/01/2016-31/12/2016 €
BrokerCreditService (Cyprus) Limited	Brokerage and other services	**82,354,719**	6,355,284
	Interest expense on loans payable	**6,572,755**	-
	Interest expense from bonds	**8,630,181**	-
	Interest expense on repurchase agreements	**55,901,092**	45,235,576
	Net losses on trading in financial instruments	**-**	10,777,645
	Net losses on trading in derivative financial instruments	**27,773,909**	-
	Net losses on trading in foreign currencies	**5,670,627**	-
BCS Prime Brokerage Limited	Brokerage and other services	**1,452,898**	2,268,951
	Net losses on trading in financial instruments	**11,184,770**	3,885,495
	Interest expense on repurchase agreements	**267,000**	192,632
BCS LLC	Brokerage and other services	**35,664**	5,883
	Net losses on trading in foreign currencies	**4,366**	-
		199,847,981	68,721,466

23.4 Receivables from related parties

Name	Nature of transactions	**30/06/2017 €**	31/12/2016 €
BrokerCreditService (Cyprus) Limited	Finance	**29,823,810**	17,870,275
	Balances due from brokers	**44,390,388**	92,619,423
	Receivables under reverse repurchase agreements	**1,342,179,711**	2,757,146,824
BCS Prime Brokerage Ltd	Balances due from brokers	**-**	12,453,939
	Trade	**-**	222
BrokerCreditService	Trade	**2,252**	-
FG BCS Ltd	Trade	**3,000**	-
		1,416,399,161	2,880,090,683

23.5 Loans to related parties

	30/06/2017 €	31/12/2016 €
BCS-Forex Limited	**5,192**	5,168
Oleg Mikhasenko	**6,840,313**	13,366,350
Flamel Global Ltd	**1,540,100**	-
Seldthorn Private Equity Ltd	**2,490,463**	-
Kertina Group Ltd	**900,295**	-
BCS Prime Brokerage Limited	**40,073,177**	-
FG BCS Ltd	**37,034,988**	-
	88,884,528	13,371,518

23. Related party transactions (continued)

23.6 Payables to related parties

Name	Nature of transactions	**30/06/2017** €	31/12/2016 €
BrokerCreditService (Cyprus) Limited	Finance and trade	**34,143,676**	188,356
	Payables under repurchase agreements	**2,097,597,293**	3,267,509,190
	Balances due to brokers	**22,008,101**	29,709,657
		2,153,749,070	3,297,407,203

23.7 Loans from related companies

	30/06/2017 €	31/12/2016 €
BrokerCreditService (Cyprus) Limited	**397,983,195**	72,302,053
	397,983,195	72,302,053

The loans from related company BrokerCreditService (Cyprus) Limited include Credit Linked Notes issued in Russian Roubles of a total amount of EUR 51,616,483 (2016: EUR 23,506,882) including interest payable of EUR 578,917 (2016: EUR 1,047,300).

Loans from related companies also include Credit Linked Notes and Index Linked Perpetual Notes issued in United States Dollars of a total amount of EUR 346,366,712 (2016: EUR 47,433,830) including interest payable of EUR 2,513,750 (2016: EUR 314,042).

During the period ended 30 June 2017 the Company issued the following Notes:

RUR	1,000,000,000	XS1567992117	Credit Linked Notes (First-to-Default)	13% per annum, Fixed rate	24 May and 24 November in each calendar year	24 November 2019 or if such day is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)	N/A	Not revalued, because the Notes issued are reflected as a loan payable.
RUR	850,000,000	XS1629772457	Credit Linked Notes (First-to-Default)	12% per annum payable in arrears on each Interest Payment Date, Fixed rate	1 June and 1 December in each calendar year from (and including) the Issue Date up to (and including) the Maturity Date	1 December 2023 or if that is not a Business Day the immediately succeeding Business Day	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)	N/A	Not revalued, because the Notes issued are reflected as a loan payable.
RUR	595,000,000	XS1604405545	Credit Linked Notes (Leveraged)	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (26 June 2017), 9% per annum; and 2) each Interest Period from (and including) the Cut-off Date (26 June 2017), 16% per annum	26 June and 26 December in each calendar year from (and excluding) the Cut-off Date (26 June 2017) up to (and including) the Maturity Date	26 June 2020 or if that is not a Business Day the immediately succeeding Business Day	Following Event determination date or Acceleration Event. Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.	N/A	Not revalued, because the Notes issued are reflected as a loan payable.

USD	10,000,000	XS1567436073	Credit Linked Notes (Leveraged)	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (20 April 2017), 1,5% per annum; and 2) each Interest Period from (and including) the Cut-off Date (20 April 2017), 7% per annum	20 April and 20 October in each calendar year up to (and including) the Maturity Date	20 April 2023, or if that is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	Following Event determination date or Acceleration Event. Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.	N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	200,000,000	XS1571345583		Floating Rate, 6-month LIBOR	2 March and 2 September in each year	2 March 2027		N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	5,000,000	XS1591493231	Share Linked Notes	In respect of: (i) the Interest Period ending on (but excluding) the Cut-off Date, 1.5% per annum; and (ii) each Interest Period, from (and including) the Cut-off Date, 21% per annum; (iii) each Interest Period from (and including) the Interest Period ending on (but excluding) the Interest Period End Date scheduled to fall on 3 September 2019 to (and including) the Interest Period ending on (but excluding) Interest Period End Date scheduled to fall on the Maturity Date (each such Interest Period, an "Additional Interest Period"), the Interest Period End Date in respect of such Interest Period 10% per annum	2 June 2017, 1 September 2017, 1 December 2017, 1 March 2018, 1 June 2018, 31 August 2017, 30 November 2018, 1 March 2019, 3 June 2019, 3 September 2019, 3 December 2019, 3 March 2020 and the Maturity Date	3 June 2020 or if that is not a Business Day the immediately succeeding Business Day	Final redemption amount is linked to the performance of the underlying assets.	N/A	Not revalued, because the Notes issued are reflected as a loan payable.

USD	125,000,000	XS1590566193		Zero Coupon (Issue price 78%)		4 April 2027		N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	10,000,000	XS1546386365	Credit Linked Notes	6% Fixed Rate	3 October 2017, 3 April 2018, 3 October 2018, 3 April 2019, 3 October 2019, 3 April 2020, 3 October 2020, 3 April 2021, 3 October 2021, 3 April 2022, 3 October 2022	3 October 2022 or if that is not a Business Day the immediately succeeding Business Day		N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	10,000,000	XS1567049389	Credit Linked Notes (First-to-Default)	6% per annum, Fixed Rate	26 April and 1 November in each calendar year	1 November 2022 or if that is not a Business Day the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be brought forward to the immediately preceding Business Day	First-to-default CLN. If credit event occurs with respect to any of the Reference Entities, Interest shall cease to accrue and each Note will be redeemed by the payment of the Credit Event Redemption Amount (Cash Settlement as specified in the applicable Final Terms or Drawdown Prospectus)	N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	5,000,000	XS1614196647	Credit Linked Notes (Leveraged)	In respect of: 1) the Interest Period ending on (but excluding) the Cut-off Date (1 June 2017), 1,5% per annum; and 2) each Interest Period from (and including) the Cut-off Date (1 June 2017), 10% per annum	each 1 June and 1 December in each calendar year from (and excluding) the Cut-off date up to (abd including) the Maturity Date	1 June 2021 or if that is a not a Business Day the immediately succeeding Business Day	Following Event determination date or Acceleration Event. Early redemption amount of the notes is linked to the performance of the underlying assets. Final redemption amount is linked to the performance of the underlying assets.	N/A	Not revalued, because the Notes issued are reflected as a loan payable.
USD	5,000,000	XS1637911451	Credit Linked Notes	6% per annum	30 December 2017, 30 June 2018, 30 December 2018, 30 June 2019, 30 December 2019, 30 June 2020, 30 December 2020, 30 June 2021, 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, 30 December 2023	30 June 2023 or if that is not a Business Day the immediately succeeding Business Day		-	Not revalued, because the Notes issued are reflected as a loan payable.

24. Contingent liabilities

(a) Technology and operating risk

The Group faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Group, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process client transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Group's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Group experiences system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to its systems, linkages with third-party systems, and power failures), business and operations could be significantly negatively impacted. To minimize business interruptions, the Group maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Operational Risk Department that is responsible for the development of overall standards for the management of operational risk. Compliance with these standards is supported by a program of periodic reviews undertaken by the Operational Risk Department and Internal Audit. The Group maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Group clearly defines for employees, contractors, and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security. The Group is actively engaged in the research and development of new technologies, services, and products.

Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Group may not be effective in all cases. The Group may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures. The Group also faces risk related to its security guarantee which covers client losses from unauthorized account activity, such as those caused by external fraud involving the compromise of clients' login and password information.

(b) Compliance risk

As a participant in the securities and financial services markets, the Group is subject to extensive regulation under both federal and state laws by governmental agencies, supervisory authorities, and self-regulated entities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. Management has invested heavily, with the benefit of its scale, in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business.

These regulations often serve to limit the Group's activities by way of capital, customer protection and market conduct requirements, and restrictions on the businesses activities that the Group may conduct. Furthermore, where the agencies determine that such operations are unsafe or unsound, fail to comply with applicable law, or are otherwise inconsistent with the laws and regulations or with the supervisory policies, greater restrictions may be imposed. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Group or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Group's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

24. Contingent liabilities (continued)

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Group, it must comply with these global, federal, and local information-related laws and regulations.

Management has established policies, procedures and systems designed to comply with these regulations.

25. Commitments

The Group had no capital or other commitments as at 30 June 2017.

26. Events after the reporting period

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

Independent auditor's report on pages 9 and 10