

ASSET MANAGEMENT JOINT STOCK COMPANY
M2M ASSET MANAGEMENT
REGISTRATION NUMBER 40103362872

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Contents

General information	3
Management report.....	4
Statement of management's responsibility	6
Statement of financial position.....	7
Statement of comprehensive income.....	8
Statement of changes in shareholder's equity	9
Cash flows statement	10
Notes to the financial statements	11
Auditors' report	23

General information

Name of the company:	M2M Asset Management
Legal status of the company:	Asset management joint stock company
Registration number, place and date of registration:	40103362872, Riga, 30 December 2010
Registered office:	Antonijas Street 3-1, Riga, LV-1010, Latvia
Shareholder:	Bank M2M Europe AS (100%) from 11/11/2013
Council:	Andrey Vdovin, Chairman of the Council, appointed on 30/05/2011 Roberts Idelsons, Deputy Chairman of the Council, appointed on 30/05/2011 Dmitry Ivlyushin, Council Member, appointed on 20/05/2013.
Board:	Edgars Makarovs, Chairman of the Board, appointed on 06/01/2011 Igor Petrovs, Board Member, appointed on 07/02/2011 Reinis Zauers, Board Member, appointed on 15/10/2015 Ineta Done, Board Member, appointed on 15/10/2015
Reporting period:	1 January 2015 – 31 December 2015
Auditors:	SIA „KPMG Baltics”
Registration number:	40003235171
Registered office:	Vesetas Street 7, Riga, LV-1013, Latvia
Certificate No.:	55

Management report

General information

The asset management joint stock company M2M Asset Management (hereinafter – the Company) was founded on 21 December 2010 and registered with the Commercial Register on 30 December 2010 under the name of M2M Asset Management AS, unified registration number LV40103362872, registered office: Lāčplēša iela 20a-14, Riga.

On 21 April 2011, the Financial and Capital Market Commission of the Republic of Latvia (hereinafter – the FCMC) granted the Company licence No. 06.03.07/311 for providing asset management services.

After receipt of the licence, the Company changed its name to asset management joint stock company M2M Asset Management. On 6 June 2011, a new registration certificate was issued. The licence in the Company's new name was re-registered with the FCMC on 9 June 2011.

On 27 December 2010 the Company's share capital was fully paid and amounted to LVL 1 400 000.

In 2013 there was a change in the Company's shareholders. On 11 November 2013 Bank M2M Europe AS, a commercial bank registered in the Republic of Latvia, became the sole shareholder of the Company.

On 15 October 2015, changes have been made in Enterprise Register of the Republic of Latvia regarding composition of Company Board by registering new members of the Board, Ineta Done and Reinis Zauers. Changes in Company leadership are connected with operational expansion of the Company: by the beginning of October 2015, rights were registered in Financial and Capital Market Commission to offer services of managing alternative investment funds.

Type of activity

According to the issued license, the Company's main types of activity are investment fund management and discretionary securities portfolio management on behalf of its clients under the respective authorisations. During the reporting period, the Company actually provided only discretionary securities portfolio management on behalf of its clients under the respective authorisations (including management of the third pillar pension plan).

On 7 October 2015, the Council of the Financial and Capital Market Commission registered the Company as a new alternative investment fund manager. The Company may provide additional services such as administrative fund management, distribution of investment shares and necessary activities related to fund asset management pursuant to the Law On Alternative Investment Funds and Their Managers.

Operations during the reporting period

During the reporting year, the Company continued operating as the manager of individual portfolios of financial instruments of clients according to authorizations received from clients, as well as managed the fund registered in Luxembourg - NHS-Sicav – M2M Emerging High Income Bond.

Total assets under management of the Company as at the reporting date amounted to EUR 55 019 951, which is a 20 % decrease from 2014. The Company provides services both to private and legal entities, as well as residents and non-residents of the Republic of Latvia. The top client of the company is the First Pension Plan of the First Closed Pension Fund (Tier 3 pensions), its assets amounted to 54 % of total assets under management by the Company.

During the reporting year, the total commission fee income for the Company was EUR 328 378.

The financial result of the reporting period is a profit of EUR 116 363, which will be used to cover losses of the previous periods.

Asset management policy

The Company follows a conservative asset management policy and its own assets are placed in term deposits and accounts with credit institutions registered in the Republic of Latvia. During the reporting period, the Company did not establish its own trading portfolio.

Risk exposure

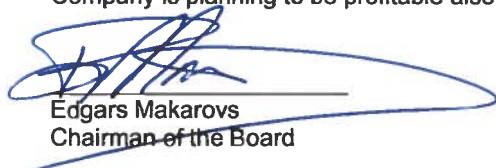
The Company's operations are exposed to both financial risks (e.g. liquidity risk, market risk, foreign currency risk) and non-financial risks (e.g. counterparty risk, business risk, operational risk). The Company is also exposed to money laundering risk. The Company has established an internal control system which ensures effective risk management. The Company has also adopted a Financial Risk Management Policy and a Policy for Prevention of Money Laundering and Terrorist Financing which state the basic principles and the main duties of the Company's officials and staff in the area of risk management.

Subsequent events

As of the last day of the reporting year until the date of signing these financial statements, there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

Future prospects

The Company intends to develop according the approved strategic plan and operational budget for 2015. The Company is planning to be profitable also in future, and cover the losses of previous periods.



Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Statement of management's responsibility

The Board of the asset management joint stock company M2M Asset Management (hereinafter – the Company) is responsible for the preparation of the financial statements of the Company. The financial statements set out on pages 7 to 22 are prepared in accordance with the effective legislation and give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the period 1 January 2015 through 31 December 2015.

The Company's financial statements are prepared on a going concern basis in compliance with the FCMC Regulations on the Preparation of Annual Reports and Annual Consolidated Reports for Banks, Investment Brokerage Firms and Asset Management Companies and International Financial Reporting Standards as adopted by the European Union. Appropriate accounting policies have been consistently applied and prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Company's management is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets, and the prevention and detection of fraud and other irregularities in the Company. The Company's management is also responsible for operating the Company in compliance with the Law of the Republic of Latvia on Investment Companies, Regulations of the Financial and Capital Market Commission, and other laws of the Republic of Latvia applicable to asset management companies.



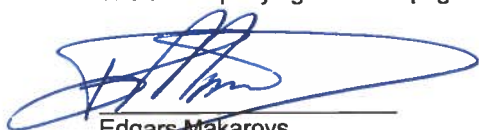
Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Statement of financial position

	Notes	31.12.2015 EUR	31.12.2014 EUR Restated
Assets			
Balances on demand due from credit institutions	3	605 573	247 049
Receivables	4	19 682	31 617
Term deposits	5	728 144	972 024
Prepaid expense and accrued income	6	37 732	262
Property and equipment	7	5 629	8 949
Deferred tax assets	19	91 993	112 742
Total assets		1 488 699	1 372 643
Liabilities			
Accrued liabilities	8	25 572	19 771
Other liabilities	9	2 351	8 459
Total liabilities		27 923	28 230
Shareholder's equity			
Paid share capital	10	1 992 020	1 992 020
Other capital reserves		-	1
Accumulated losses		-647 608	-904 446
Profit for the period		116 363	256 838
Total shareholder's equity		1 460 776	1 344 413
Total shareholder's equity and liabilities		1 488 699	1 372 643

The accompanying notes on pages 11 through 22 form an integral part of these financial statements.



Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Statement of comprehensive income

	Notes	2015 EUR	2014 EUR
Interest income		16 488	16 684
Net interest income		16 488	16 684
Commission and fee income	13	328 378	367 755
Commission and fee expense	14	-17 818	-24 812
Net commission and fee income		310 560	342 943
Net result from foreign exchange trading and revaluation		13 134	8 852
Other income	15	41 125	
Other expense		-23 648	-5 168
Staff costs	17	-202 740	-196 338
Administrative expense	17	-11 731	-15 987
Depreciation		-6 076	-6 890
Profit / (loss) for the period before corporate income tax		137 112	144 096
Income tax (expense)/ benefit	19	-20 749	112 742
Comprehensive income for the period		116 363	256 838
Other comprehensive income for the period		-	-
Total comprehensive income for the period		116 363	256 838

The accompanying notes on pages 11 through 22 form an integral part of these financial statements.


Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Statement of changes in shareholder's equity

	Paid share capital EUR	Other reserves EUR	Accumulated losses EUR	Total EUR
Balance as at 31 December 2013	1 992 021	-	-904 446	1 087 575
Comprehensive income for the period	-	-	256 838	256 838
<i>Transactions with shareholder recorded directly in equity</i>				
Other reserves	-1	1	-	-
Balance as at 31 December 2014	1 992 020	1	-647 608	1 344 413
Comprehensive income for the period	-	-	116 363	116 363
Balance as at 31 December 2015	1 992 020	1	-531 245	1 460 776

The accompanying notes on pages 11 through 22 form an integral part of these financial statements.



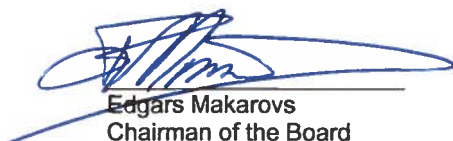
Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Cash flows statement

	2015 EUR	2014 EUR Restated
Cash flows to/ from operating activities		
Profit before corporate income tax	137 112	144 096
Depreciation	6 076	6 890
Interest income	-16 488	-16 684
Unrealised (gain)/loss from fluctuations of currency exchange rates	-13 134	-8 658
Disposal of property, plant, and equipment	-	1 272
Change in cash and cash equivalents from operating activities before changes in assets and liabilities	113 566	126 916
Decrease/(increase) in receivables	11 989	-729
Decrease/(increase) in prepaid expense and accrued income	-37 470	-239
(Decrease)/increase in accrued liabilities	5 801	370
(Decrease)/increase in other liabilities	-6 108	2 995
Net cash flows from/(used in) operating activities	87 778	129 313
Proceeds from received interest	15 368	16 668
Cash flows from/(used in) operating activities	103 146	145 981
Cash flows used in investing activities		
(Acquisition) of fixed assets	-2 756	-
(Placement) of term deposits	-225 000	-1 050 000
Repayment of term deposits	470 000	380 000
Net cash flows from/ (used in) investing activities	242 244	-670 000
Change in cash and cash equivalents	345 390	-524 019
Cash and cash equivalents at the beginning of the reporting period	247 049	762 410
Unrealised losses from fluctuations of currency exchange rates	13 134	8 658
Cash and cash equivalents at the end of the reporting period	605 573	247 049

The accompanying notes on pages 11 through 22 form an integral part of these financial statements.



Edgars Makarovs
Chairman of the Board

Riga, 25 February 2016

Notes to the financial statements

1. Summary of significant accounting policies

1.1. General information

The asset management joint stock company M2M Asset Management (hereinafter – the Company) was founded on 21 December 2010 and was registered with the Republic of Latvia Enterprise Register on 30 December 2010. The licence for providing asset management services was issued in Riga, on 21 April 2011; therefore the Company is bound by all the restrictions regarding the provision of asset management services as stated by the Financial and Capital Market Commission of the Republic of Latvia (the 'FCMC').

The financial statements for the year ended 31 December 2015 were approved by the Board on 25 February 2016. These financial statements may be amended by the shareholder.

1.2. Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and their interpretations, as well as in compliance with the FCMC regulations effective as at the reporting date, and based on the accounting records prepared in accordance with the legislative requirements. These records are maintained under the historical cost convention, modified for revaluation as disclosed below, made in accordance with the IFRS as adopted by the EU requirements.

The monetary unit used in the financial statements is euro (EUR), unless otherwise stated. The financial statements cover the period 1 January 2015 through 31 December 2015.

1.3. Adjustment of prior period errors

Certain presentation errors were identified in the approved financial statements for 2014 subsequent to the approval of these financial statements. Adjustments were made in the items "Cash and cash equivalents" and "Term deposits" presented in 2014 due to a demand deposit with the initial maturity exceeding 3 months which was presented in the financial statements for 2014 under cash and cash equivalents. This presentation error did not impact net assets or profit or loss. In order to reflect information more accurately, adjustments were made in the following items compared to their presentation in the financial statements for 2014:

STATEMENT OF FINANCIAL POSITION

31 December 2014	Previously reported EUR	Adjustment EUR	Restated EUR
Assets			
Balances on demand due from credit institutions	417 345	-170 296	247 049
Term deposits	801 728	170 296	972 024

CASH FLOWS STATEMENT

For year 2014	Previously reported EUR	Adjustment EUR	Restated EUR
Proceeds from received interest	16 964	-296	16 668
Cash flows from/(used in) operating activities	146 277	-296	145 981
Repayment of term deposits	550 000	-170 000	380 000
Net cash flows from/ (used in) investing activities	-500 000	-170 000	-670 000
Change in cash and cash equivalents	-353 723	-170 296	-524 019
Cash and cash equivalents at the end of the reporting period	417 345	-170 296	247 049

1.4. Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 1 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with date of initial application of 1 January 2015.

The following guidance with effective date of 1 January 2015 did not have any impact on these financial statements:

- IFRIC 21 guidance on a levy imposed by government
- Annual Improvements to IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

It is expected that the Amendments, when initially applied, will not have a material impact on the Company's financial statements because the Company has an existing accounting policy to account for acquisitions of joint operations in a manner consistent with that set out in the Amendments.

(ii) IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The Amendments to include five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

(iii) IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for annual periods beginning on or after 1 January 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Company's financial statements, as the Company does not apply revenue-based methods of amortisation/depreciation.

(iv) IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture (effective for annual periods beginning on or after 1 January 2016)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no bearer plants.

(v) IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(vi) IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Company doesn't have investments in subsidiaries, associates or joint ventures.

(vii) Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

The Company plans to adopt the above mentioned standards and interpretations on their effectiveness date.

1.5. Significant estimates and assumptions

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires the Company's management to make estimates and assumptions that affect certain reported balances. Future events occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect to specific events and actions. The estimates and related assumptions are verified on a regular basis. The effect of any changes in estimates will be recorded in the financial statements when determinable. The most significant areas of estimation and assumptions relate to measuring fair value of financial assets.

1.6. Income and expense recognition

Income and expense items are recognised on an accrual basis. Income are only recognised in the statement of comprehensive income when there are no doubts regarding the respective cash collection in due time. With the exception of financial instruments held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the statement of income using the effective interest rate method.

Fees, commissions and other income and expense items are recognised when the corresponding service has been received or provided.

1.7. Functional and presentation currency

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian lat was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2014. The financial statements are presented in Euro (EUR), which is the Company's functional currency.

1.8. Foreign currency translation

Foreign currency transactions are translated into euros at the official exchange rate set by the European Central Bank at the beginning of the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to euros according to the exchange rate of the European Central Bank on the last day of the reporting year. Foreign currency differences arising from retranslation are recognised in the statement of comprehensive income at net value as the result of revaluation of foreign exchange.

The exchange rates set forth for the foreign currency and used in the preparation of the Company's financial statements were as follows:

Currency	31.12.2015	31.12.2014
USD	11.0887	1.2141
CHF	1.0835	1.2011

1.9. Taxes

Corporate income tax is calculated in accordance with Latvian tax regulations at the rate of 15% and is based on the taxable income reported for the taxation period.

Deferred taxation arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred tax liability is determined based on the tax rates that are expected to apply when the temporary differences reverse. The principal temporary differences arise from differing rates of accounting and tax depreciation on the Company's non-current assets and accumulated tax losses.

Deferred tax asset is recognized in the statement of financial position to the extent the management believes it will be realized in the foreseeable future.

1.10. Cash and cash equivalents

The Company's cash comprises balances due from credit institutions. Cash and cash equivalents are short-term, highly liquid assets that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

1.11. Term deposits

The Company's term deposits are stated at cost plus interest accrued during the period from the placement date or the last interest payment date to the reporting date.

1.12. Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is provided using the straight-line method. The amortisation rate is set at 33% per annum.

1.13. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated starting with the following month after the asset is put into operation. Depreciation of an asset ceases as of the first day of the month following derecognition of the respective asset. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The annual depreciation rate is 20% or 50%.

1.14. Receivables

Receivables are recognised and carried at cost less an allowance for any doubtful or uncollectible amounts. Allowances are made when the recoverability of the amounts receivable is deemed doubtful.

1.15. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.16. Assets under management

Assets under the Company's management on behalf of its clients, funds, and other institutions are not considered the Company's assets and are not disclosed in the Company's statement of financial position. Data on the assets under management are only included in these financial statement for informative purposes.

2. Risk management

The Company's main risk management principles are as follows:

- The Company identifies existing risks, assesses and measures the identified risks on a regular basis.
- The Company manages risks based on the principle of economic advantage, i.e. the costs of risk management and reduction shall be less than the potential losses arising from realisation of risks.
- The Company does not assume any risks, if the losses arising from such risks exceed the benefits from assuming the risks.
- The Company identifies and assumes risks arising from the Company's operations, as well as establishes a risk tolerance level and respective measures for ensuring such a level.

The Company's risks are disclosed in the following table.

Risk	Risk tolerance level	Measures for ensuring the risk tolerance level
Counterparty risk	No dependence on counterparties. No significant income from a single counterparty. No non-replaceable counterparties. Reliable counterparties.	Operational planning that prevents dependency on certain counterparties. Reduction of counterparty concentration. Choice of reliable counterparties.
Liquidity risk	The Company maintains liquid assets at the level allowing meeting all the liabilities maturing within 3 months.	The Company ensures sufficient cash amounts in its current accounts and deposits.
Market risk (incl. foreign currency risk and interest rate risk)	The total market rate level (taking into consideration only direct losses) does not exceed 5% of the Company's share capital.	Optimisation of the Company's currency positions.
Operational risk	Minimum probability of events that may endanger the Company's operations. Minimum losses arising from probable events.	The Company ensures the training of staff, sufficient functioning of control system, development of contingency plans, and other measures.
Business risk (decrease in income)	Changes in income after which the operations of the Company is still economically grounded.	Diversification of income sources. Optimisation of the Company's operations.

Going concern

The financial result of the reporting year is a profit of EUR 116,336.

The Company plans to increase assets under management in the near future and retain costs at the current level. The Company plans to cover accumulated losses with future profits.

3. Balances on demand due from credit institutions

	Currency	31.12.2015 EUR	31.12.2014 EUR Restated
Credit institution			
Current account with Swedbank	USD	33 014	63 769
Current account with Bank M2M Europe	EUR	117 722	62 295
Current account with Swedbank	EUR	283 561	59 695
Current account with Bank M2M Europe	USD	149 204	47 026
Current account with Swedbank	CHF	19 833	12 428
Credit card account with Swedbank	EUR	844	1 003
Credit card account with Bank M2M Europe	EUR	1395	833
Total		605 573	247 049

4. Receivables

	31.12.2015 EUR	31.12.2014 EUR
Receivables from customers, excl. credit institutions		
Commission on discretionary portfolio management (legal entities)	14 142	16 503
Commission on investment fund management	-	8 696
Commission on discretionary portfolio management (private individuals)	3 480	3 646
Commission on private pension plan management	-	1 660
Other receivables	2 006	1 112
Total	19 628	31 617

5. Term deposits

	Currency	31.12.2015 EUR	Inc. accrued interest EUR	31.12.2014 EUR Restated	Inc. accrued interest EUR
Term deposits with credit institutions					
Bank M2M Europe (maturity - 24.01.2015)	EUR	-	-	170 296	296
Swedbank (maturity - 11.07.2015)	EUR	-	-	300 677	677
Bank M2M Europe (maturity - 25.02.2016)	EUR	245 000	-	255 531	531
Bank M2M Europe (maturity - 26.01.2016)	EUR	228 144	3 144	-	-
Bank M2M Europe (maturity - 03.01.2016)	EUR	255 000	-	245 520	520
Total		728 144	3 144	972 024	2 024

As at 31 December 2015, the average interest rate of the term deposits was 2.172%.

As at 31 December 2014, the average interest rate of the term deposits was 1.178%.

6. Prepaid expense and accrued income

	31.12.2015 EUR	31.12.2014 EUR
Accrued income from research service of real estate object	37 437	-
Accrued fee for discretionary portfolio management	183	169
Prepaid expenses	112	93
Total	37 732	262

7. Statement of movement in property and equipment

	Carrying amount, EUR
Cost as at 31 December 2013	33 996
Additions	-
Disposals	-3 179
Cost as at 31 December 2014	30 817
Additions	2 756
Cost as at 31 December 2015	33 573
Accumulated depreciation as at 31 December 2013	16 973
Depreciation charge	6 802
Disposals	-1 907
Accumulated depreciation as at 31 December 2014	21 868
Depreciation charge	6 076
Accumulated depreciation as at 31 December 2015	27 944
Net carrying amount as at 31 December 2014	8 949
Net carrying amount as at 31 December 2015	5 529

9. Accrued liabilities

	31.12.2015 EUR	31.12.2014 EUR
Vacation pay reserve	22 814	17 080
Professional service fees	2 660	2 590
Accrued expense related to other services	98	101
Total	25 572	19 771

9. Other liabilities

	31.12.2015 EUR	31.12.2014 EUR
Administration of investment fund	-	2 100
Liabilities to pension plan	1 049	-
FCCM financing fee	1 302	1 457
Other liabilities to related parties (Note 22)	-	287
Tax liabilities (Note 18)	-	4 615
Total	2 351	8 459

10. Paid share capital

On 11 November 2013 changes were made in the structure of the Company's shareholders' structure, and Bank M2M Europe AS became the sole shareholder of the Company, who owns 1 992 020 voting shares of the Company totalling EUR 1 992 020 and constituting 100% of the Company's share capital and 100% of the Company's voting capital. The par value of each share is EUR 1.

Before the change, the sole shareholder of the Company was Andrey Vdovin who remains the main beneficial owner of the Company also after the change in ownership.

11. Assets and liabilities by currency profile as at 31 December 2015

	EUR	USD	CHF	Total
Assets				
Balances due from credit institutions	403 522	182 218	19 833	605 573
Receivables	10 398	9 230	-	19 628
Term deposits	728 144	-	-	728 144
Prepaid expense and accrued income	37 732	-	-	37 732
Property, plant and equipment	5 629	-	-	5 629
Deferred tax assets	91 993	-	-	91 993
Total assets	1 277 418	191 448	19 833	1 488 699
Equity and liabilities				
Accrued liabilities	25 572	-	-	25 572
Other liabilities	2 351	-	-	2 351
Shareholder's equity	1 460 776	-	-	1 460 776
Total shareholder's equity and liabilities	1 488 699	-	-	1 488 699
Net position	-211 281	191 448	19 833	-

Assets and liabilities by currency profile as at 31 December 2014

	EUR Restated	USD	CHF	Total Restated
Assets				
Balances due from credit institutions	123 826	110 795	12 428	247 049
Receivables	7 902	22 712	1 003	31 617
Term deposits	972 024	-	-	972 024
Prepaid expense and accrued income	262	-	-	262
Property, plant and equipment	8 949	-	-	8 949
Deferred tax assets	112 742	-	-	112 742
Total assets	1 225 705	133 507	13 431	1 372 643
Equity and liabilities				
Accrued liabilities	19 771	-	-	19 771
Other liabilities	6 359	2 100	-	8 459
Shareholder's equity	1 344 413	-	-	1 344 413
Total shareholder's equity and liabilities	1 370 543	2 100	-	1 372 643
Net position	-144 838	131 407	13 431	-

12. Assets and liabilities by maturity profile as at 31 December 2015

	Within 1 month	1 - 3 months	3 - 12 months	Over 1 year	No set maturity	Total
Assets						
Balances due from credit institutions	605 573	-	-	-	-	605 573
Receivables	19 589	-	-	39	-	19 628
Term deposits	473 144	255 000	-	-	-	728 144
Prepaid expense and accrued income	37 620	-	112	-	-	37 732
Property, plant and equipment	-	-	-	-	5 629	5 629
Deferred tax assets	-	-	-	-	91 993	91 993
Total assets	1 135 926	255 000	112	39	97 622	1 488 699
Liabilities						
Accrued liabilities	97	2 660	22 815	-	-	25 572
Other liabilities	2 351	-	-	-	-	2 351
Total liabilities	2 448	2 660	22 815	-	-	27 923
Net position	1 133 478	252 340	-22 703	39	97 622	1 460 776

Assets and liabilities by maturity profile as at 31 December 2014

	Within 1 month Restated	1 - 3 months	3 – 12 months	Over 1 year	No set maturity	Total Restated
Assets						
Balances due from credit institutions	247 049	-	-	-	-	247 049
Receivables	31 617	-	-	-	-	31 617
Term deposits	171 347	-	300 677	500 000	-	972 024
Prepaid expense and accrued income	169	-	93	-	-	262
Property, plant and equipment	-	-	-	-	8 949	8 949
Deferred tax assets	-	-	-	-	112 742	112 742
Total assets	450 182	-	300 770	500 000	121 691	1 372 643
Liabilities						
Accrued liabilities	101	2 590	17 080	-	-	19 771
Tax liabilities	4 615	-	-	-	-	4 615
Other liabilities	3 844	-	-	-	-	3 844
Total liabilities	8 560	2 590	17 080	-	-	28 230
Net position	441 622	-2 590	283 690	500 000	121 691	1 344 413

13. Commission and fee income

	2015 EUR	2014 EUR
Commission on investment fund management *	48 489	117 457
Commission on discretionary portfolio management (legal entities)	59 614	106 288
Commission on private pension plan management	46 444	90 804
Commission on discretionary portfolio management (private individuals)	168 760	45 900
Other commission and fee income	5 071	7 306
Total	328 378	367 755

* A decision to suspend/freeze the Fund's activities, as proposed by the management, was approved by the Fund's Council in July 2015, and was also approved by the investment manager of NHS-SICAV – M2M Emerging High Income Bond (the 'Fund'), and also by the Fund management company, Novacap Asset Management S.A. As a result, all financial instruments were realised and all investment certificates of the Fund were redeemed from investors. Effective from 17 August 2015, the Fund entered a freeze period which should expire by 17 February 2017.

As all investors of the Fund have submitted redemption requests and no complaints about the Fund's operations were received, we believe the Company is not exposed to additional risks in relation to the Fund's operations.

14. Commission and fee expense

	2015 EUR	2014 EUR
Commission on investment fund administration	17 362	24 244
Commission on current account servicing	456	568
Total	17 818	24 812

15. Other income

	2015 EUR	2014 EUR
Income from research service of real estate object	37 437	-
Overpayment of statutory social insurance contributions in 2014	2 771	-
Returned payment for financing FCMC in 2014	917	-
Total	41 125	-

16. Income by clients' registration by geographical regions

	2015 EUR	2014 EUR
Europe (excl. Latvia)	101 437	155 147
Latvia	107 828	135 531
Africa	96 391	12 424
Latin America and Caribbean region	13 641	59 687
Australia and Oceania	9 081	4 966
Total	328 378	367 755

16. Administrative expense

	2015 EUR	2014 EUR
Staff costs		
Remuneration to the Board Members	93 716	91 356
Remuneration to other staff	77 068	74 475
Statutory social insurance contributions (Board Members)	12 965	11 886
Statutory social insurance contributions (other staff)	18 180	17 550
Unemployment risk duty	26	26
Other staff costs	785	1 045
Total staff costs	202 740	196 338
Average number of paid employees:	6	6
Other administrative expense		
Office expense	6 275	6 201
IT services	-	2 362
Professional services	18	71
Business trips and transport costs	-	94
Advertising and marketing	170	17
Communications	1 357	2 143
Audit fee	3 911	3 827
Disposal of property and equipment	-	1 272
Total other administrative expense	11 731	15 987
Total	214 471	212 325

18. Taxes and duties

	Balance as at 31/12/2014 EUR	Calculated EUR	Late payment penalty	Paid EUR	Transferred from 2015 overpayment	Balance as at 31/12/2015 EUR
Personal income tax	-	31 947	-	(31 947)	-	-
Statutory social insurance contributions	-	43 427	-	(41 656)	(1 771)	-
Value-added tax	4 615	13 832	65	(20 479)	-	-1 967
Unemployment risk duty	-	26	-	(26)	-	-
Total	4 615	89 232	65	(94 108)	(1 771)	-1 967

19. Income tax

	2015 EUR	2014 EUR
Deferred income tax liability		
Accelerated depreciation for tax purposes	-616	-1 437
Recognized deferred income tax asset		
Temporary difference from vacation pay reserve	3 422	2 562
The impact of tax loss carried forward	89 187	111 617
Net deferred tax asset	91 993	112 742

The Company believes that it will use the accumulated tax losses in full, therefore the deferred tax asset exceeding tax liabilities are recognized in these financial statements.

	2015. EUR	2014. EUR
Profit before tax	137 211	144 096
Theoretically calculated income tax at a rate of 15%	20 582	21 614
Permanent differences:		
Tax effect of non-deductible costs	167	230
Change in unrecognised deferred tax assets from losses carried forward	-	-134 586
Corporate income tax	20 749	-112 742

20. Capital adequacy calculation

The Company ensures its capital management by analysing and projecting the factors affecting the capital requirement, i.e. the amount of the assets under management and the Company's income and expense amounts, as well as by determining the type of capital investment. Both the Company's capital adequacy ratio and capital amount exceed the minimum statutory capital requirement: the total capital ratio of 8%, which is calculated as the percentage of equity against the total value of the risk transaction multiplied by 12.5. As at 31 December 2015, the minimum capital requirement for the Company is EUR 97 241.

The capital adequacy calculation is disclosed according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

	31.12.2015 EUR	31.12.2014 EUR
Tier 1		
Paid share capital	1 992 020	1 992 020
Accumulated losses	-647 608	-904 446
Total comprehensive income for the current reporting period	116 363	256 838
Deferred tax asset, the realisation of which depends on its probable recovery	-89 187	-111 331
Total Tier 1	1 371 588	1 233 081
Summary of capital charge calculations		
Credit risk capital charge	80 339	83 101
Capital charge for foreign currency risk	16 902	11 587
Total capital charge for credit risk and foreign currency risk	97 241	94 688
or		
The capital charge equal to 25% of the previous year's fixed costs	56 096	130 748
Total capital charge	97 241	130 748
Coverage of capital charges from equity (surplus)	1 274 347	1 102 333
Capital adequacy ratio	112.84%	75.45%

21. Assets under management, net

	31.12.2015 EUR	31.12.2014 EUR
PSPF First pension Plan	29 735 113	28 793 257
Discretionary financial securities portfolios of legal entities	16 572 766	21 707 537
M2M Emerging Market High Income Bond fund	-	8 758 554
Discretionary financial securities portfolios of private individuals	8 712 072	9 411 923
Total	55 019 951	68 671 271

During the financial year the Company has not held direct investments in the above noted structures. Its interest in these structures arises only from asset management fee income and, therefore, these structures are not consolidated by the Company.

22. Related party disclosures

Related parties are defined as the Company's shareholder, Board and Council Members, as well as close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control. The transactions with related parties are carried out according to the Company's general business principles on an arm's length basis.

	31.12.2015	31.12.2014
	EUR	EUR
Liabilities to related parties		
Liabilities to Bank M2M Europe	-	287
Total	-	287

	2015	2014
	EUR	EUR
Expenses to related parties		
Rent and utilities Bank M2M Europe	2 749	3 076
Commission on current account servicing Bank M2M Europe	3	3
Total	2 752	3 079

	31.12.2015	31.12.2014
	EUR	EUR
Receivables from related parties		
Current account in Bank M2M Europe	268 321	110 154
Term deposits in Bank M2M Europe	728 144	671 347
Receivable from Roberts Idelsons (fee for discretionary portfolio management)	12	9
Receivable from Edgars Makarovs (fee for discretionary portfolio management)	5	5
Receivable from Andrey Vdovin (fee for discretionary portfolio management)	16	-
Total	996 498	781 515

	2015	2014
	EUR	EUR
Income from related parties		
Bank M2M Europe – interest income	15 736	14 663
Income from Roberts Idelsons (fee for discretionary portfolio management)	108	57
Income from Edgars Makarovs (fee for discretionary portfolio management)	50	54
Income from Andrey Vdovin (fee for discretionary portfolio management)	73	-
Total	15 967	14 774

23. Sensitivity analysis and fair value of financial instruments

The Company has no significant financial risk exposure, therefore sensitivity analyses are not performed. The management of the Company believes that due to the low interest rates and short maturity dates the difference between the fair value of the financial instruments and their carrying value is not material.

24. Future minimum lease payments

The Company has signed agreement on the lease of premises with Bank M2M Europe AS, with the lease payment of 179 EUR/month. The agreement is valid until 31 July 2016. Unless any of the parties inform the other on their wish to terminate the agreement, it is automatically extended for one year.

25. Events after reporting date

As of the last day of the reporting year until the date of signing of these financial statements, there have been no significant events affecting the information disclosed in the financial statements.



KPMG Baltics SIA
Vesetas iela 7
Rīga, LV-1013
Latvia

Telephone +371 67038000
Telefax +371 67038002
kpmg.com/lv

Independent Auditors' Report

To the shareholder of the investment management company "M2M Asset Management"

Report on the Financial Statements

We have audited the accompanying financial statements of investment management company "M2M Asset Management" ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 22.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the Management Report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
25 February 2016

Rainers Vilāns
Sworn Auditor
Certificate No 200