

**ASSET MANAGEMENT JOINT STOCK COMPANY  
SIGNET ASSET MANAGEMENT LATVIA  
(PREVIOUSLY M2M ASSET MANAGEMENT)  
REGISTRATION NUMBER 40103362872**

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

## Contents

General information .....	3
Management report .....	4
Statement of management's responsibility.....	6
Financial statements .....	7
Statement of financial position .....	7
Statement of comprehensive income .....	8
Statement of changes in shareholder's equity.....	9
Statement of cash flows .....	10
Notes to the financial statements .....	11
Auditors' report.....	26

## General information

Name of the company:	<b>Signet Asset Management Latvia</b>
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:	Signet Bank AS (100%) from 11/11/2013
Council:	Roberts Idelsons, Chairman of the Council, appointed on 22/11/2017 Sergejs Zaicevs, Deputy Chairman of the Council, appointed on 22/11/2017 Tatjana Drobina, Council Member, appointed on 22/11/2017 Roberts Idelsons, Council Member appointed on 13/11/2017, resigned on 22/11/2017 Sergejs Zaicevs, Council Member appointed on 13/11/2017, resigned on 22/11/2017 Andrey Vdovin, Chairman of the Council, appointed on 30/05/2011, resigned on 06/07/2017 Roberts Idelsons, Deputy Chairman of the Council, appointed on 30/05/2011, resigned on 13/11/2017 Dmitry Ivlyushin, Council Member, appointed on 20/05/2013, resigned on 13/11/2017
Board:	Edgars Makarovs, Chairman of the Board, appointed on 06/01/2011 Reinis Zauers, Board Member, appointed on 15/10/2015 Ineta Done, Board Member, appointed on 15/10/2015
Reporting period:	1 January 2017 – 31 December 2017
Auditors:	SIA „KPMG Baltics”
Registration number:	40003235171
Registered office:	Vesetas Street 7, Riga, LV-1013, Latvia
Licence No.:	55

## Management report

### General information

The asset management joint stock company Signet Asset Management Latvia (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.

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 (1 992 020 euros)

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 the Company's Board by registering new members of the Board, Ineta Done and Reinis Zauers. These changes in the Company's 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.

On 23 May 2016, following resignation of Igors Petrovs, a change has been registered in Enterprise Register of the Republic of Latvia reducing the number of Board members from four to three.

On 11 October 2017, the Company changed its name to asset management joint stock company Signet Asset Management Latvia. The change of name is associated with significant changes in the shareholder structure of the sole shareholder of Bank M2M Europe AS and the change of name to Signet Bank AS.

Changes in the shareholder's membership entered into force on September 20 2017, when the European Central Bank in cooperation with FCMC have granted permission to acquire majority shareholding in the Bank M2M Europe AS to a group of new shareholders - Signet Global Investors Ltd, Hansalink and Fin.lv

### Type of activity

According to the issued licence, 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 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 of the Republic of Latvia.

### **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 the First Pension Plan of the First Closed Pension Fund (Tier 3 pensions).

Total assets under management by the Company as at the reporting date amounted to EUR 57 758 680, which is a 3.4 % decrease from 2016. The Company provides services both to private and legal entities, as well as residents and non-residents of the Republic of Latvia. The largest client of the Company is the First Pension Plan of the First Closed Pension Fund (Tier 3 pensions). Its assets amounted to 56 % of total assets under management by the Company.

In 2017, the total commission fee income for the Company was EUR 316 613.

The financial result of the reporting period is a loss of EUR 23 666, the main source of this negative result is the write-off of a previously recognized deferred tax asset that the Company had to derecognise due to changes in the tax legislation of the Republic of Latvia.

### **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 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 except events mentioned in the Note 25.

### **Future prospects**

Except described in the Note 26 uncertain situation that may cast to a certain extent doubt on the Parent's and consequently the Company's ability to continue as a going concern, the Company intends to develop according the approved strategic plan and operational budget for 2018. The Company is planning to be profitable also in future, and cover the losses of previous periods.



Edgars Makarovs  
Chairman of the Board

Riga, 11 May 2018

## Statement of management's responsibility

The Board of the asset management joint stock company Signet Asset Management Latvia (hereinafter – the Company) is responsible for the preparation of the financial statements of the Company. The financial statements set out on pages 7 to 25 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 2017, and of its financial performance and its cash flows for the period 1 January 2017 through 31 December 2017.

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, 11 May 2018

## Financial statements

### Statement of financial position

	Notes	31.12.2017 EUR	31.12.2016 EUR
<b>Assets</b>			
Balances on demand due from credit institutions	3	758 693	327 957
Receivables	4	115 301	22 703
Term deposits	5	614 717	1 040 295
Prepaid expense and accrued income	6	4 917	31 663
Property and equipment	7	2 729	2 496
Deferred tax assets	19	-	87 172
<b>Total assets</b>		<b>1 496 357</b>	<b>1 512 286</b>
<b>Liabilities</b>			
Accrued liabilities	8	28 404	25 001
Tax liabilities	18	4 034	1 105
Other liabilities	9	1 405	-
<b>Total liabilities</b>		<b>33 843</b>	<b>26 106</b>
<b>Shareholder's equity</b>			
Paid share capital	10	1 992 020	1 992 020
Other capital reserves		1	1
Accumulated losses		(505 841)	(531 245)
Profit for the period		(23 666)	25 404
<b>Total shareholder's equity</b>		<b>1 462 514</b>	<b>1 486 180</b>
<b>Total shareholder's equity and liabilities</b>		<b>1 496 357</b>	<b>1 512 286</b>

The accompanying notes on pages 11 through 25 form an integral part of these financial statements. Signed on behalf of the management board:

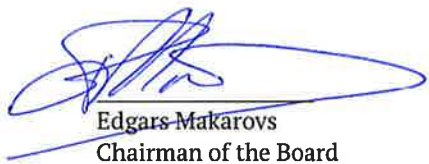
  
Edgars Makarovs  
Chairman of the Board

Riga, 11 May 2018

## Statement of comprehensive income

	Notes	2017. EUR	2016. EUR
Interest income		12 460	11 500
<b>Net interest income</b>		<b>12 460</b>	<b>11 500</b>
Commission and fee income	13	316 613	248 938
Commission and fee expense	14	(7 750)	(172)
<b>Net commission and fee income</b>		<b>308 863</b>	<b>248 766</b>
Net result from foreign exchange trading and revaluation		(20 525)	2 405
Other income	15	941	3 346
Other expense		(5 095)	(5 373)
Staff costs	17	(212 970)	(209 888)
Administrative expense	17	(15 566)	(16 010)
Depreciation		(2 088)	(4 521)
<b>Profit for the period before corporate income tax</b>		<b>66 020</b>	<b>30 225</b>
Income tax expense	19	(89 686)	(4 821)
<b>Total comprehensive income for the period</b>		<b>(23 666)</b>	<b>25 404</b>

The accompanying notes on pages 11 through 25 form an integral part of these financial statements. Signed on behalf of the management board:



Edgars Makarovs  
Chairman of the Board

Riga, 11 May 2018



## Statement of changes in shareholder's equity

	Paid share capital EUR	Other reserves EUR	Accumulated losses EUR	Total EUR
<b>Balance as at 31 December 2015</b>	<b>1 992 020</b>	<b>1</b>	<b>(531 245)</b>	<b>1 460 776</b>
Comprehensive income for the period	-	-	25 404	25 404
<b>Balance as at 31 December 2016</b>	<b>1 992 020</b>	<b>1</b>	<b>(505 841)</b>	<b>1 486 180</b>
Comprehensive income for the period	-	-	(23 666)	(23 666)
<b>Balance as at 31 December 2017</b>	<b>1 992 020</b>	<b>1</b>	<b>(529 507)</b>	<b>1 462 514</b>

The accompanying notes on pages 11 through 25 form an integral part of these financial statements. Signed on behalf of the management board:



Edgars Makarovs  
Chairman of the Board

Riga, 11 May 2018

## Statement of cash flows

	2017	2016
	EUR	EUR
<b>Cash flows to/ from operating activities</b>		
Profit before corporate income tax	66 020	30 225
Depreciation	2 088	4 521
Interest income	(12 460)	(11 500)
<b>Change in cash and cash equivalents from operating activities before changes in assets and liabilities</b>	<b>55 648</b>	<b>23 246</b>
Increase in receivables	(92 598)	(3 075)
Decrease in prepaid expense and accrued income	26 746	6 069
(Decrease)/increase in accrued liabilities	3 403	(571)
(Decrease)/increase in other liabilities	1 820	(1 246)
<b>Net cash flows from operating activities</b>	<b>(4 981)</b>	<b>24 423</b>
Proceeds from received interest	8 038	4 349
<b>Cash flows from operating activities</b>	<b>3 057</b>	<b>28 772</b>
<b>Cash flows used in investing activities</b>		
(Acquisition) of fixed assets	(2 321)	(1 388)
(Placement) of term deposits	-	(1 030 000)
Repayment of term deposits	430 000	725 000
<b>Net cash flows (used in)/from investing activities</b>	<b>427 679</b>	<b>(306 388)</b>
<b>Change in cash and cash equivalents</b>	<b>430 736</b>	<b>(277 616)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>327 957</b>	<b>605 573</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>758 693</b>	<b>327 957</b>

The accompanying notes on pages 11 through 25 form an integral part of these financial statements. Signed on behalf of the management board:



Edgars Makarovs  
Chairman of the Board

Riga, 11 May 2018

## Notes to the financial statements

### 1. Summary of significant accounting policies

#### 1.1. General information

The asset management joint stock company Signet Asset Management Latvia (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').

On 11 October 2017, the Company changed its name to asset management joint stock company Signet Asset Management Latvia. The change of name is associated with significant changes in the shareholder structure of the sole shareholder of Bank M2M Europe AS and the change of name to Signet Bank AS (the 'Parent').

The financial statements for the year ended 31 December 2017 were approved by the Board on 11 May 2018. 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) which is also the functional currency of the Company. The financial statements cover the period 1 January 2017 through 31 December 2017.

#### 1.3. 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 2017.

The following guidance with effective date of 1 January 2017 did not have any impact on these financial statements:

- Amendments to IAS 7
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs.

#### New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these financial statements. Of these pronouncements, the following will potentially have an impact on the Company's financial statements. The Company plans to adopt these pronouncements when they become effective.

*IFRS 9 Financial Instruments (2014) (effective for annual periods beginning on or after 1 January 2018).*

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity’s risk management and hedging activities are required.

#### Impact assessment

##### *Classification and measurement*

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, balances on demand due from credit institutions.

##### *Impairment*

Since the new requirements replace the ‘incurred loss’ model with a forward-looking ‘expected credit loss’ (ECL) model, then the Company expects its impairment allowances to increase. The Company plans to adopt a loss rate based on past due day status for its receivables and balances on demand due from credit institutions. Based on initial assessment there will be immaterial impact from this change, as the current receivables the Company holds are of short term nature and from customers with no past loss events. Likewise, given the short term nature the impact on cash and cash equivalents is assessed as not significant.

## Disclosures

IFRS 9 will require new disclosures, in particular around hedge accounting, credit risk and ECLs. Company is in process of determining the impact on its internal processes.

## Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.
- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- The determination of the business model within which a financial asset is held has to be made on the basis of the facts and circumstances that exist at the date of initial application.

*IFRS 15 Revenue from contracts with customers and Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted)*

This Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, the Company management does not expect that the new standard, when initially applied, will have a material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change materially under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

*IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15)*

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

The Company has not yet prepared an analysis of the expected quantitative impact of the new standard, however, the Company management does not expect that the new standard, when initially applied, will have a material impact on the

Company's financial statements. While the Company is party to contractual arrangements that would be in the scope of IFRS 16, their impact on the Company's financial statements is expected to be not material.

#### 1.4. 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.

#### 1.5. 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.

#### 1.6. Functional and presentation currency

The financial statements are presented in Euro (EUR), which is the Company's functional currency.

#### 1.7. 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	31.12.2017	31.12.2016
USD	1.1993	1.0541
CHF	1.1702	1.0739
GBP	0.88723	0.85618
RUB	69.392	64.3

#### 1.8. 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.

Current corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. The Company will have to pay income tax on profit distribution starting from 2018. Correspondingly, income tax on profit distribution is recognised as expense at the moment dividends are declared.

#### 1.9. 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.

#### 1.10. 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.

#### 1.11. 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.

#### 1.12. 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 33%.

#### 1.13. 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.

#### 1.14. 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.

#### 1.15. 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
<b>Counterparty risk</b>	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.
<b>Liquidity risk</b>	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.
<b>Market risk</b> (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.
<b>Operational risk</b>	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.
<b>Business risk</b> (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.



Signet Asset Management Latvia  
(previously M2M Asset Management)  
Annual report 2017

### 3. Balances on demand due from credit institutions

Credit institution	Currency	31.12.2017	31.12.2016
		EUR	EUR
Current account with Signet Bank	EUR	521 863	133 957
Current account with Signet Bank	USD	152 648	23 202
Current account with Swedbank	EUR	33 538	114 929
Current account with Swedbank	USD	29 969	34 097
Current account with Swedbank	CHF	18 363	20 010
Current account with Signet Bank	RUB	1 184	-
Current account with Signet Bank	GBP	590	-
Credit card account with Signet Bank	EUR	538	930
Credit card account with Swedbank	EUR	-	832
<b>Total</b>		<b>758 693</b>	<b>327 957</b>

### 4. Receivables

	31.12.2017	31.12.2016
	EUR	EUR
Receivables from customers, excl. credit institutions		
Agent commission fee for investing in investment funds	90 000	-
Commission on private pension plan management	12 961	6 822
Commission on discretionary portfolio management (legal entities)	8 988	9 113
Commission on discretionary portfolio management (private individuals)	3 352	4 566
Other receivables	-	2 202
<b>Total</b>	<b>115 301</b>	<b>22 703</b>

### 5. Term deposits

Term deposits with credit institutions	Currency	31.12.2017	Inc. accrued	31.12.2016	Inc. accrued
		EUR	interest EUR	EUR	interest EUR
Signet Bank (maturity - 03.02.2017)	EUR	-	-	232 623	2 623
Signet Bank (maturity - 14.11.2017)	EUR	-	-	200 250	250
Signet Bank (maturity - 12.01.2018)	EUR	364 153	14 153	356 978	6 978
Signet Bank (maturity - 14.11.2018)	EUR	250 564	564	250 444	444
<b>Total</b>		<b>614 717</b>	<b>14 717</b>	<b>1 040 295</b>	<b>10 295</b>

As at 31 December 2017, the average interest rate of the term deposits was 1.758 %.

As at 31 December 2016, the average interest rate of the term deposits was 1.488 %.

### 6. Prepaid expense and accrued income

	31.12.2017	31.12.2016
	EUR	EUR
Professional liability insurance payments	4 371	-
Accrued fee for discretionary portfolio management	321	31 587
Prepaid expenses	225	76
<b>Total</b>	<b>4 917</b>	<b>31 663</b>

## 7. Statement of movement in property and equipment

	Carrying amount, EUR
<b>Cost as at 31 December 2015</b>	<b>33 573</b>
Additions	1 388
<b>Cost as at 31 December 2016</b>	<b>34 961</b>
Additions	2 321
<b>Cost as at 31 December 2017</b>	<b>37 282</b>
<b>Accumulated depreciation as at 31 December 2015</b>	<b>27 944</b>
Depreciation charge	4 521
<b>Accumulated depreciation as at 31 December 2016</b>	<b>32 465</b>
Depreciation charge	2 088
<b>Accumulated depreciation as at 31 December 2017</b>	<b>34 553</b>
<b>Net carrying amount as at 31 December 2016</b>	<b>2 496</b>
<b>Net carrying amount as at 31 December 2017</b>	<b>2 729</b>

## 8. Accrued liabilities

	31.12.2017 EUR	31.12.2016 EUR
Vacation pay reserve	24 208	22 066
Professional service fees	3 800	2 660
Accrued expense related to other services	396	275
<b>Total</b>	<b>28 404</b>	<b>25 001</b>

## 9. Other liabilities

	31.12.2017 EUR	31.12.2016 EUR
FCCM financing fee	1 259	-
Other liabilities	146	-
<b>Total</b>	<b>1 405</b>	<b>-</b>

## 10. Paid share capital

On 11 November 2013 changes were made in the structure of the Company's shareholders' structure, and Signet Bank AS (previously 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, all shares are fully paid.

On September 20, 2017 changes in the shareholder's membership come into force, when the group of shareholders, which includes Signet Global Investors Limited, Hansalink Ltd. and Fin.lv Ltd. acquired a majority shareholding in Signet Bank AS (formerly Bank M2M Europe AS).

Signet Asset Management Latvia  
(previously M2M Asset Management)  
Annual report 2017

**11. Financial assets and liabilities by currency profile as at 31 December 2017**

<b>Assets</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>	<b>Total</b>
Balances due from credit institutions	555 939	182 617	20 137	758 693
Receivables	108 354	6 919	28	115 301
Term deposits	614 717	-	-	614 717
<b>Total assets</b>	<b>1 279 010</b>	<b>189 536</b>	<b>20 165</b>	<b>1 488 711</b>
<b>Equity and liabilities</b>				
Accrued liabilities	28 404	-	-	28 404
Tax liabilities	4 034	-	-	4 034
Other liabilities	1 405	-	-	1 405
<b>Total shareholder's equity and liabilities</b>	<b>33 843</b>	<b>-</b>	<b>-</b>	<b>33 843</b>
<b>Net position</b>	<b>1 245 167</b>	<b>189 536</b>	<b>20 165</b>	<b>1 454 868</b>

**Financial assets and liabilities by currency profile as at 31 December 2016**

<b>Assets</b>	<b>EUR</b>	<b>USD</b>	<b>CHF</b>	<b>Total</b>
Balances due from credit institutions	250 648	57 299	20 010	327 957
Receivables	13 978	8 725	-	22 703
Term deposits	1 040 295	-	-	1 040 295
<b>Total assets</b>	<b>1 304 921</b>	<b>66 024</b>	<b>20 010</b>	<b>1 390 955</b>
<b>Equity and liabilities</b>				
Accrued liabilities	25 001	-	-	25 001
Tax liabilities	1 105	-	-	1 105
<b>Total shareholder's equity and liabilities</b>	<b>26 106</b>	<b>-</b>	<b>-</b>	<b>26 106</b>
<b>Net position</b>	<b>1 278 815</b>	<b>66 024</b>	<b>20 010</b>	<b>1 364 849</b>

**12. Financial assets and liabilities by maturity profile as at 31 December 2017**

<b>Assets</b>	<b>Within 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Total</b>
Balances due from credit institutions	758 693	-	-	758 693
Receivables	115 301	-	-	115 301
Term deposits	-	364 717	250 000	614 717
<b>Total assets</b>	<b>873 994</b>	<b>364 717</b>	<b>250 000</b>	<b>1 488 711</b>
<b>Liabilities</b>				
Accrued liabilities	3 056	1 140	24 208	28 404
Tax liabilities	1 520	-	2 514	4 034
Other liabilities	1 405	-	-	1 405
<b>Total liabilities</b>	<b>5 981</b>	<b>1 140</b>	<b>26 722</b>	<b>33 843</b>
<b>Net position</b>	<b>868 013</b>	<b>363 577</b>	<b>223 278</b>	<b>1 454 868</b>

Signet Asset Management Latvia  
(previously M2M Asset Management)  
Annual report 2017

**Financial assets and liabilities by maturity profile as at 31 December 2016**

<b>Assets</b>	<b>Within 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Balances due from credit institutions	327 957	-	-	-	<b>327 957</b>
Receivables	22 664	-	-	39	<b>22 703</b>
Term deposits	-	233 317	200 000	606 978	<b>1 040 295</b>
<b>Total assets</b>	<b>350 621</b>	<b>233 317</b>	<b>200 000</b>	<b>607 017</b>	<b>1 390 955</b>
<b>Liabilities</b>					
Accrued liabilities	-	2 935	22 066	-	<b>25 001</b>
Tax liabilities	1 105	-	-	-	<b>1 105</b>
<b>Total liabilities</b>	<b>1 105</b>	<b>2 935</b>	<b>22 066</b>	<b>-</b>	<b>26 106</b>
<b>Net position</b>	<b>349 516</b>	<b>230 382</b>	<b>177 934</b>	<b>607 017</b>	<b>1 364 849</b>

**13. Commission and fee income**

	2017 EUR	2016 EUR
Agent commission fee for investing in investment funds	90 000	-
Commission on discretionary portfolio management (legal entities)	87 123	137 929
Commission on private pension plan management	73 226	67 679
Commission on discretionary portfolio management (private individuals)	66 264	43 330
<b>Total</b>	<b>316 613</b>	<b>248 938</b>

**14. Commission and fee expense**

	2017 EUR	2016 EUR
Commission on current account servicing	209	172
Professional liability insurance	6 119	-
Commission on investment fund administration	1 422	-
<b>Total</b>	<b>7 750</b>	<b>172</b>

**15. Other income**

	2017 EUR	2016 EUR
Overpayment of statutory social insurance contributions in 2014	941	3 346
<b>Total</b>	<b>941</b>	<b>3 346</b>

### 16. Income by clients' registration by geographical regions

	2017 EUR	2016 EUR
Latvia	212 233	108 567
Latin America and Caribbean region	25 117	76 292
Europe (excl. Latvia)	59 553	42 493
Africa	8 902	13 748
North America	10 808	-
Australia and Oceania	-	7 838
<b>Total</b>	<b>316 613</b>	<b>248 938</b>

### 17. Administrative expense

	2017 EUR	2016 EUR
<b>Staff costs</b>		
Remuneration to the Board Members	86 610	87 907
Remuneration to other staff	83 274	79 603
Statutory social insurance contributions and solidarity tax (Board Members)	20 431	20 737
Statutory social insurance contributions (other staff)	19 644	18 778
Unemployment risk duty	22	23
Other staff costs	2 989	2 840
<b>Total staff costs</b>	<b>212 970</b>	<b>209 888</b>
Average number of paid employees:	5	5
<b>Other administrative expense</b>		
Office expense	7 705	7 709
Advertising and marketing	227	13
Communications	3 684	4 272
Audit fee	3 950	4 016
<b>Total other administrative expense</b>	<b>15 566</b>	<b>16 010</b>
<b>Total</b>	<b>228 536</b>	<b>225 898</b>

### 18. Taxes and duties

	Balance as at 31/12/2016 EUR	Calculated EUR	Penalty	Paid EUR	(Repaid)/ Decreased	Balance as at 31/12/2017 EUR
Personal income tax	-	33 151	-	33 151	-	-
Statutory social insurance contributions	-	56 381	-	55 440	941	-
Value-added tax	1 105	15 544	4	15 133	-	1 520
Unemployment risk duty	(3)	22	-	19	-	-
Corporate income tax	-	2 514	-	-	-	2 514
<b>Total</b>	<b>1 102</b>	<b>107 612</b>	<b>4</b>	<b>103 743</b>	<b>941</b>	<b>4 034</b>

## 19. Income tax

	2017 EUR	2016 EUR
<b>Deferred income tax liability</b>		
Accelerated depreciation for tax purposes	-	(215)
<b>Deferred income tax asset</b>		
Temporary difference from loss of previous periods	-	87 387
Derecognition of deferred tax asset	87 172	-
<b>Net deferred tax asset</b>	<b>-</b>	<b>87 172</b>

On 28 July 2017, Latvian parliament passed amendments to the Latvian tax legislations which became effective on 1 January 2018. The amendments concern corporate income tax regime and certain other taxes in Latvia. Up to this date corporate income tax in Latvia was payable on taxable profits and the taxable profits could be partially offset by tax loss carry forward from previous tax periods. The new regime introduces a concept where corporate income tax is payable only on dividend pay-outs (irrespective of profits in the particular period) and certain expenses which for tax purposes are considered earnings distributions (e.g. non-business expenses and representative expenses that exceed specific threshold). In accordance with the amendments, for profits, which are generated within Latvian jurisdiction and are not paid out in dividends, corporate income tax from 1 January 2018 is not payable.

The current version of the amended tax legislation retains certain conditional transitional provisions where the new tax does not apply to distribution of retained earnings from previous tax regime (currently no expiry date) and unutilised tax losses may be offset against certain tax payables (5 year expiry date). The Company, in case dividends were to be distributed, might have positive tax benefits from these transitional provisions, but as deferred tax is calculated on tax rate which applies to undistributed earnings, no deferred tax asset may be recognised until actual distribution.

The Company has completely derecognised previously recognized deferred Income tax due to changes of legislation. Thus non-recurrent expenses in the amount exceeding EUR 87 172 thousand have been recognized.

Income tax expense recognized in profit or loss.

	2017 EUR	2016 EUR
Corporate income tax	2 514	-
Change in deferred tax asset	87 172	4 821
<b>Income tax expense</b>	<b>89 686</b>	<b>4 821</b>

### Reconciliation of effective tax rate

The reported income tax expenses for the years ended 31 December 2017 and 2016 are different than the amounts computed by applying the statutory tax rate to profit before income tax of the Company, as shown in the following reconciliation:

	2017 EUR	2016 EUR
<b>Profit before tax</b>	<b>66 020</b>	<b>30 225</b>
Theoretically calculated income tax at a rate of 15%	9 903	4 534
<b>Permanent differences:</b>		
Tax effect of non-deductible costs	153	287
Change in unrecognised deferred tax asset from losses carried forward	(7 542)	-
Impact from derecognition of deferred tax asset	87 172	-
<b>Corporate income tax</b>	<b>89 686</b>	<b>4 821</b>

## 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 2017, the minimum capital requirement for the Company is EUR 87 954. (31.12.2016: 109 400 EUR)

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

	31.12.2017 EUR	31.12.2016 EUR
<b>Tier 1</b>		
Paid share capital	1 992 020	1 992 020
Accumulated losses	(505 841)	(531 245)
Total comprehensive (loss)/income for the current reporting period	(23 666)	25 404
Deferred tax asset, the realisation of which depends on its probable recovery	-	(87 387)
<b>Total Tier 1</b>	<b>1 462 513</b>	<b>1 398 792</b>
<b>Summary of capital charge calculations</b>		
Credit risk capital charge	71 152	99 994
Capital charge for foreign currency risk	16 802	9 406
<b>Total capital charge for credit risk and foreign currency risk</b>	<b>87 954</b>	<b>109 400</b>
or		
<b>The capital charge equal to 25% of the previous year's fixed costs</b>	<b>58 948</b>	<b>61 049</b>
<b>Total capital charge</b>	<b>87 954</b>	<b>109 400</b>
<b>Coverage of capital charges from equity (surplus)</b>	<b>1 374 559</b>	<b>1 289 392</b>
Capital adequacy ratio	133.03%	102.29%

## 21. Assets under management

	31.12.2017 EUR	31.12.2016 EUR
PSPF First pension Plan	32 364 324	31 420 619
Discretionary financial securities portfolios of legal entities	16 265 135	17 306 345
Discretionary financial securities portfolios of private individuals	9 129 221	11 089 105
<b>Total</b>	<b>57 758 680</b>	<b>59 816 069</b>

## 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.

	2017 EUR	2016 EUR
Expenses to related parties		
Rent and utilities Signet Bank AS	2 954	2 693
Commission on current account servicing Signet Bank AS	10	14
<b>Total</b>	<b>2 964</b>	<b>2 707</b>

Signet Asset Management Latvia  
(previously M2M Asset Management)  
Annual report 2017

	31.12.2017	31.12.2016
	EUR	EUR
Receivables from related parties		
Current account in Signet Bank	676 823	158 089
Term deposits in Signet Bank	614 717	1 040 295
Receivables from Signet Bank (agent commission fee)	90 000	-
Receivable from Edgars Makarovs (fee for discretionary portfolio management)	14	5
Receivable from Roberts Idelsons (fee for discretionary portfolio management)	-	1
Receivable from Andrey Vdovin (fee for discretionary portfolio management)	-	23
<b>Total</b>	<b>1 381 554</b>	<b>1 198 413</b>

	2017	2016
	EUR	EUR
Income from related parties		
Signet Bank – agent commission fee for investing in investment funds	90 000	-
Signet Bank – interest income	12 460	11 500
Income from Edgars Makarovs (fee for discretionary portfolio management)	39	44
Income from Roberts Idelsons (fee for discretionary portfolio management)	4	40
Income from Andrey Vdovin (fee for discretionary portfolio management)	-	225
<b>Total</b>	<b>102 503</b>	<b>11 809</b>

### 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 Signet Bank AS, with the lease payment of 207 EUR/month. The agreement is valid until 31 July 2018. 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

On 12 February 2018, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ('FinCEN') issued a finding and notice of proposed rulemaking ('NPRM'), pursuant to Section 311 of the USA PATRIOT Act, against one of Latvia's largest banks. On 19 February 2018, following an outflow of funds from this institution, the European Central Bank ('ECB') instructed the local banking regulator to impose a moratorium on outgoing payments from that bank. On 24 February 2018, the process of effectively a wind up of that bank started. On 17 February 2018, a high government official was detained by Latvia's anti-corruption authorities ('KNAB') in a bribery-linked allegation case. Both events have an impact on the banking sector in Latvia, and its international reputation.

In March, 2018 Latvian authorities announced intention to pass legislation forbidding banks, brokerage companies and asset management companies operating in Latvia to service shell companies, which came into force 9 May 2018.

The Company's parent is Signet Bank AS ('Bank'), which to a certain extent can be affected by above events and conditions in the Latvian banking sector. There is a material uncertainty related to the above events and conditions in the Latvian banking sector that may cast significant doubt on the Parent ability to continue as a going concern, and the Parent's ability to realize its assets, or discharge its liabilities in the normal course of business.



According to the information available to the management, to address these concerns the Parent:

- 1) Assessed impact of closure of accounts of shell companies and came to the conclusion that potential loss of deposits currently held by shell companies with the Bank and revenues generated from servicing shell companies will not affect the Bank being able to continue business as a going concern.
- 2) Conducted review of its strategy and had discussions with the regulator on potential adjustments to the strategy. As a result the Bank, within its current strategy of providing capital management services to high net worth clients, has initiated further diversification of its deposit and clients base from the clients which pose increased reputational risks for the Bank (generally – clients residing in Russia and other CIS countries). Such diversification will be achieved by (i) targeting markets where majority shareholders of the Bank have established presence – UK, Switzerland and Latvia; and (ii) potentially establishing presence in high-growth markets in Asia. Given modest size of the Bank's balance sheet and early stage of realizing synergies with new majority shareholders of the Bank, management is convinced that diversification of the client base needed to successfully manage reputational risks will be achieved in relatively short time frame.

## **26. Going concern**

Since the part of the Company's clients are also clients of the Parent, the Company's operations are linked to the Parent, and considering that the Parent has committed to adjusting its business model in order to ensure compliance with the regulators' recommendations and expected future legislative framework, certain changes to the Company's strategy could be developed and implemented in 2018 and beyond.

The management of the Company is continuously monitoring and assessing the market situation, and potential impact of the above market developments on the Company, if any. The management has assessed the impact of the above events and conditions, in particular impact of the above legislation regarding shell companies, and based on the information available at the date of these financial statements, the management believes that the operations of the Company should not be affected significantly.

In preparing the accompanying financial statements, the management made a number significant judgements and assumptions related to future events, that form the basis for its provisional financial projections for 2018 and subsequent years, and allowed the management to conclude on the appropriateness of the application of the going concern basis in the preparation of these financial statements.

Although the Company meets all regulatory ratios, the existing material uncertainty in relation to the future outcomes of the events mentioned in Note 25. may cast significant doubt on the Parent's and consequently the Company's ability to continue as a going concern. The key sources of this uncertainty include: a) the ability of the Parent to implement the measures to reduce the regulatory, compliance and reputational risks mentioned above in the Note 25; b) the ability of the Parent to implement adjustments to its business model mentioned above in the Note 25; c) the risk in the AML/CTF area being now subject to an increased scrutiny.



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 Signet Asset Management Latvia IPAS

#### Report on the Audit of the Financial Statements

##### *Our Opinion on the Financial Statements*

We have audited the accompanying financial statements of Signet Asset Management Latvia IPAS ("the Company") set out on pages 7 to 25 of the accompanying Annual Report, which comprise:

- the statement of financial position as at 31 December 2017,
- the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Signet Asset Management Latvia IPAS as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### *Basis for Opinion*

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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

##### *Material Uncertainty Related to Going Concern*

We draw attention to Note 26 of the financial statements, which describes that there is a material uncertainty related to the events and conditions in the Latvian banking sector that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above we have identified the following matter to be communicated as a key audit matter in our audit report.

<b>Risk of inappropriate revenue recognition</b>	
<p>The Company's revenue for the year ended 31 December 2017 amounted to EUR 316 613 (2016: EUR 248 938).</p> <p>Reference to the financial statements: Note 1 point "1.5. Income and expense recognition" on page 14 (accounting policy); Note 13 "Commission and fee income" on page 20 (Notes to the financial statements).</p>	
<b>Key audit matter</b>	<b>Our response</b>
<p>As discussed in Note 1 of the financial statements, the Company provides asset management services of individually managed portfolios for the benefit of third parties.</p> <p>The related revenues mainly comprise of management fees and performance fees. Management fees are calculated at a stated percentage of the individually managed portfolios, while performance fees are based on a formula set in the agreements with clients and linked to the return of individually managed portfolios.</p> <p>We focused on this area due to the high daily volume of underlying transactions with an effect on the amount of revenue, coupled with the operational complexity involved in terms of the number of individually managed portfolios and the variety of fee rates and arrangements to be applied.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Documenting, assessing and testing the design and implementation of the Company's key internal controls relating to the calculation and recognition of fee revenue.</li> <li>• Testing a sample of revenue transactions by reference to the contractual terms including applicable fee rates in respect of individually managed portfolios.</li> <li>• Testing the timing of revenue recognition for sales transactions recognised shortly before and after the year end by reference to the contractual terms, to assess whether revenue has been recognised in the appropriate period.</li> <li>• Assessing the adequacy of the revenue recognition-related disclosures against the requirements of the relevant financial reporting standards.</li> </ul>

*Reporting on Other Information*

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on pages 4 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying Annual Report,



Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with 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 and in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, 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.

#### *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information*

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditors' Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be



expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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



## Report on Other Legal and Regulatory Requirements

*Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities*

We were appointed by those charged with governance on 7 November 2017 to audit the financial statements of Signet Asset Management Latvia IPAS for the year ended 31 December 2017. Our total uninterrupted period of engagement is 5 years, covering the years ended 31 December 2013 to 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit, which have not been disclosed in the Management Report or in the financial statements of the Company.

KPMG Baltics SIA  
Licence No 55

Ondrej Fikrle  
Partner pp KPMG Baltics SIA  
Riga, Latvia  
11 May 2018

Valda Užāne  
Sworn auditor  
Certificate No 4