AS ADMIRAL MARKETS

Annual Report 2015

(Unofficial translation of the Estonian original)

Admiral Markets AS

Annual Report 2015

Commercial Registry no.	10932555
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Main area of activity	Investment services
Activity licence no.	4.1-1/46
Beginning and end date of financial year	1 January – 31 December
Members of the Management Board	Aleksandr Ljubovski Dmitri Lauš Sergei Bogatenkov
Chairman of the Supervisory Board	Alexander Tsikhilov
Members of the Supervisory Board	Anatolii Mikhalchenko Anton Tikhomirov Juri Kartakov
Auditor	Ernst & Young Baltic AS

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1. Management report

AS ADMIRAL MARKETS was founded in 2003 and an activity licence was received from the Estonian Financial Supervision Authority in 2009. The company is part of an international group which operates under a joint trademark – Admiral Markets.

Objectives and business activitites

The main activity of Admiral Markets AS (hereinafter "Admiral Markets") is provision of investment services to private persons and companies. The company's activities are primarily targeted at experienced traders, and therefore, the company focuses on the improvement of general trading skills, training of new enthusiasts and introduction of services directed to starting traders. The company's strategic objectives include expansion of the range of products and services facilitating provision of investment services to a larger audience.

The main emphasis of the company's operations in 2015 was on the implementation of the decision related to the strategy of Admiral Markets AS for involving clients. According to the decision, since April all new retail clients of Admiral Markets, who are legal and natural persons from the member states of the European Union and countries of the European Economic Area, are directed to the investment company Admiral Markets UK Ltd, which is part of the same consolidation group as Admiral Markets. Admiral Markets UK Ltd was established in Great Britain and operates under the activity licence FRN 595450 issued by the Financial Conduct Authority (hereinafter 'FCA') of Great Britain. This decision will not lead to any changes for the existing retail clients of Admiral Markets since it will continue providing services to them also in the future.

The need for the aforementioned changes is due to the feedback obtained from our clients, which shows that upon selecting a service provider it is more and more important for retail clients whether an investment firm holds an activity licence issued by the FCA of Great Britain or not. The reason for such a preference is, above all, the existence of a broader investor protection (Financial Services Compensation Scheme – FSCS) which ensures the protection of investor funds in the amount of up to £50,000 (pounds). The investment firm Admiral Markets AS, which was established in Estonia, will continue providing the provision of investment services to its existing clients by specialising in providing its service to professional clients and developing and improving trading technologies of the entire Admiral Markets Group in the future. Considering the nature of current cooperation of Admiral Markets with its sister company Admiral Markets UK Ltd operating in Great Britain in the role of a liquidity provider and technological partner, the management of Admiral Markets is convinced that the aforementioned changes in the retail clients involvement strategy did not have an adverse impact on the financial results of Admiral Markets AS. After the amendments came into force, the risk profile in terms of the largest risk factors of Admiral Markets also remained the same.

In 2015, the structure of the company also underwent changes. Namely, since February 2015, the sole owner of Admiral Markets AS is Admiral Markets Group AS.

In the field of product development, extensive preparations for launching a web-based trading platform were completed in December. The new MetaTrader 4 WebTrader enables trading in all operating systems (Mac, Windows, Linux), as a result of which customers no longer have to download additional software; thus, the use of Admiral Markets services will become even more convenient for customers.

In 2015, Admiral Markets received a very positive response from its clients when in the second half of 2014 the offer of the Supreme Edition of MetaTrader 4, which includes several options for personal customisation of trading, was resumed. Considering the fact that the Supreme Edition sets apart the products of Admiral Markets, providing them with added value compared to the products of competing

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investment firms, which are based on the MetaTrader 4 platform, Admiral Markets continued the development of this additional application, by adding there 7 useful functions in 2015.

Admiral Markets continues to carry out its trader training programme which includes both paid and free courses. Training courses are carried out as classical teaching arrangements and webinars, in the course of which Admiral Markets introduces its services, teaches how to use them and in addition the skills of analysing the economic situation are developed and the principles of capital and risk management linked to trading are taught.

The decision of the Swiss National Bank on 15 January 2015 created unprecedented volatility (i.e. a sequence of sudden price changes) in the foreign exchange market, which led to an almost instant loss of highly leveraged Swiss franc investments for the customers who had bet on the franc's weakening and a record profit for the customers who had been sceptical about the policy of the Swiss National Bank and the information disclosed at the press conferences. As a result of this event, Admiral Markets AS developed, in addition to the loss arising from its transactions, higher-than-expected credit and counterparty risk positions. In line with its conservative estimate, the management of Admiral Markets made appropriate provisions in connection with these positions in the company's annual report 2015. Despite this event, Admiral Markets activities continued to yield profit in 2015. All the developments of the risk management system in 2015 in conjunction with the improvement of the main products create a sound basis to achieve the financial goals of 2016 and to preserve a capital base that corresponds to the planned scope of activities.

In 2016, the management of Admiral Markets intends to invest resources in further development of the main product targeted at retail clients.

Management

In the beginning of 2015 the company was managed by a three-member Supervisory Board and a two-member Management Board. As a result of changes made during the year, the company is managed by a four-member Supervisory Board and a three-member Management Board at the end of 2015. In December 2015, Sergei Bogatenkov was appointed as a new member of the Management Board and Juri Kartakov was appointed as a new member of the Supervisory Board. The members of the Supervisory Board and the Management Board participate actively in the company's daily business operations and have clear responsibilities. In 2015, the remuneration of the management totalled EUR 202,651 (2014: EUR 252,246).

Organisation

The company's management is responsible for the organisational structure and technical organisation of Admiral Markets. To manage its activities, the company mainly uses specialists and experts employed under employment contracts, but it also outsources services from professionals in compliance with the terms and procedures laid down in the legislation, relevant guidelines and established internal procedures on the basis of the decisions made by the Supervisory Board and the Management Board.

At the beginning of the year, the company had 101 employees and by the end of the accounting period, the number of employees increased to 122, of which 51 persons work in the branches of Admiral Markets in different EU states and 71 in the head office in Tallinn. In the reporting period, remunerations paid to employees including social security taxes amounted to EUR 2,737,263.

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Financial results

Revenue, expenses and profit

Main financial ratios

Indicator	2015	2014
Trading and brokerage fee income, in thousands of EUR	20,280	14,794
Net profit in the accounting period, in thousands of EUR	924	2,219
Net profit per share, EUR	2.29	5.49
Return on equity (ROE), %	5	12
Equity ratio	1.1	1.1
Return on assets, %	4	10
Shot term liabilities current ratio	6	10

Equations used for the calculation of ratios:

Net profit per share, in EUR = net profit / average number of shares
Return on equity (ROE), % = net profit / average equity * 100
Equity ratio = average assets / average equity
Return on assets (ROA), % = net profit / average assets * 100
Short term liabilities current ratio = current assets / current liabilities.

The ratios are calculated as an arithmetic average of closing balance sheet figures of the previous and current reporting period, and the indicators of the income statement are shown as at the end of the reporting period.

Impacts of the economic environment

These financial statements reflect the management's assessment of the impact of the Estonian and global economic environment on the financial results and financial position of the company. Considering the potential deterioration of the general economic environment in the forthcoming year and the urgency of the market situation, the effect of future changes on the company could diverge from the current management assessment.

Analysis of the macroeconomic environment

The global economic growth in 2015 was according to the initial estimate (IMF) 3.1%. This is the slowest growth rate following the global crisis of 2008-2009. Like in previous years, the global economy was characterised by slow-down in the growth of developing countries, while in developed countries the growth became somewhat faster. Since the share of developing countries in the world economy is increasing, their welfare also affects the global growth more and more.

In China the deceleration of growth continued in 2015 and according to the initial estimate the growth of the second largest economy in the world slowed down to 6.9%, which is the lowest level within the last 25 years. China's declining support for the economic activity of the rest of the world arises from the pursuits of the state authorities to move from investment and production based growth to a consumption and service based economic model. As a result, China's need for foreign goods and services has reduced and particularly the countries who have close trade relations with China could feel that in 2015.

The welfare of several developing countries was in 2015 also significantly negatively affected by the continuous decline in the prices of energy and other raw materials. One of the important keywords in the world economy in 2015 was fast decline in the prices of petroleum. Preservation of the production volumes of the OPEC countries for placing US producers under pressure as well as restoration of

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production in Iran following the sanctions has increased overproduction and therefore there is a growing feeling of fear that the recession in prices of petroleum will last.

Decline in energy prices caused a slow-down in inflation both in developed and developing countries. Therefore, several central banks applied extensive monetary policy mitigation measures in order to achieve their inflation goals. An exception was the US where the Federal Reserve started increasing interests. The monetary policies of the US and the rest of the world moving in different directions has increased imbalance risks in developing countries. In the future, the dynamics of the US interest rates and dollar will certainly be of significant impact for the welfare of developing countries. European Central Bank bonds purchase program and negative interests contributed to the increase in the economic activity of the eurozone and also supported the growth in 2015. In addition, in 2015 the exchange rate of the euro also weakened significantly. It also contributed to the recovery of the eurozone economy.

At the global level, the monetary policy was mostly expansive, which along with low growth expectations and uncertainty of the financial markets contributed to a decline in interest rates. Both in Europe and elsewhere a large quantity of government bonds were traded at the level of negative interests. At the same time one of the keywords of 2015 was increasing volatility on financial markets compared to previous years. This was the case both for more risky assets and the prices of widely accepted secure asset class – government bonds.When the interest of the 10-year German government bond achieved its all-time low of 0.07% in April, then less than two months later the interest already increased to 1% due to an extensive sales pressure of bonds. In the context of such movements, there was certainly a sense of a decline in investor confidence and an increasing scepticism about the prospects of the financial markets will probably continue to be a trend also in the future.

The welfare of the Estonian economy in 2015 was moderately positive, but the growth of the year should still be significantly lower than in 2014 (according to the forecast of the Bank of Estonia +1.2%). The demand for goods and services by foreign countries during the year was lower than in the previous year. However, growth was supported by sustained domestic demand, supported by by a continuous growth in wages. As an open economy, Estonia remains significantly dependent on the growth dynamics of both European and developing countries. The Bank of Estonia forecasts that economic growth will accelerate to 2.2% in 2016, but an important prerequisite and risk to that are the developments of the external environment.

Analysis of the microeconomic environment

In 2015, the general operating environment in the Estonian financial sector became more complicated. Negative interest rates on the European monetary markets caused by the monetary policy of the European Central Bank brought a new era for companies operating in the financial sector. In addition to the increasingly stringent regulatory requirements, the issue of interest rates has posed new complicated challenges for the operations of banks and other financial intermediaries. Current operating models of banks, in which a large part of the revenues was received in the form of interest margins, is under pressure in the current environment and in addition to financial companies, also consumers of financial services are suffering.

If in 2014 it was still possible for Estonian depositors to earn reasonable interest income in larger banks then at the end of 2015 the interest of the 12-month euro deposit offered by several major banks in Estonia was close to zero. As a result, there has been an increase in differentiation in the banking sector where some of the more aggressive market participants offered attractive interest rates to attract clients (2% and more for a 12-month deposit), while the entire market did not go along with such a level. How long will such a situation in the financial sector last, in many respects depends on the further steps to be taken by the European Central Bank and for how long the interest rates in the euro-zone will remain at current levels.

In terms of competition, the more complicated status of major banks due to the decrease in interest rates income could provide opportunities for newcomers. In 2015, one new small bank (Inbank) entered the

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Estonian banking scenery and TransferWise, whose pursuit is to become a strong international leader, also extended its activities. As for the competition of services related to trading on various foreign exchange markets (trading, training), no visible changes occurred on the Estonian market in 2015. In Estonia, Admiral Markets continues with its firm position and strives to maintain the success achieved with its current activities.

The year 2015 was also quite volatile for world currency markets. The main factors influencing this were on one hand the activities of central banks, but also the fluctuating market sentiment as well as the downward trend in the prices of raw materials that placed the raw material currencies under pressure. At the beginning of the year, the Swiss National Bank offered a major negative surprise by refraining from protecting the target level of EUR/CHF in order to avoid the strengthening of the franc. The significant strengthening of the franc as a result thereof brought along huge losses to those who pursued various trading strategies related to the franc and probably tested the risk management frameworks of many companies who intermediate currency trading.

The higher than usual volatility will probably remain one of the important keywords related to foreign exchange markets in the coming year. This may offer Admiral Markets both opportunities and threats. Therefore, for the sake of successful organisation of work, it is necessary for the company to take into account various possible developments and risk factors that may affect economic activity. One of the new upcoming noteworthy events to come could be the United Kingdom referendum on the preservation of EU member status to be held on 23 of June. The possible voting result that would lead to the British exiting the European Union could cause major and difficult to forecast movements in foreign exhange markets. In addition, further increase in interest rates by the Federal Reserve and the strengthening of the dollar related thereto may bring along the devaluation of currencies of several developing countries.

The team of Admiral Markets will do their best to ensure that the company is well positioned in an operating environment that poses new challenges. Current success and high level of experience allows the company to expect good results in also 2016.

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2. Financial Statements

Statements of Financial Position

(in EUR)	Note	31.12.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents	7	15,585,116	17,798,370
Financial assets at fair value through profit or loss	8	97,516	236,165
Short-term loans, receivables and prepayments	9	4,000,936	2,521,775
Total current assets		**19,683,568**	**20,556,310**
Non-current assets			
Long-term loans and receivables	10,11	3,576,819	723,562
Tangible assets	12	378,678	463,138
Intangible assets	13	216,487	146,368
Total non-current assets		**4,171,984**	**1,333,068**
TOTAL ASSETS		**23,855,552**	**21,889,378**
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	8	122,186	247,587
Liabilities and prepayments	14	2,260,203	1,345,096
Provisions	17	708,052	455,993
Total current liabilities		**3,090,441**	**2,048,676**
TOTAL LIABILITIES		**3,090,441**	**2,048,676**
EQUITY			
Share capital	20	2,585,600	2,585,600
Reserves	20	258,550	258,550
Retained earnings		17,920,961	16,996,552
TOTAL EQUITY		**20,765,111**	**19,840,702**
TOTAL EQUITY AND LIABILITIES		**23,855,552**	**21,889,378**

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Statements of Comprehensive Income

(in EUR)	Note	2015	2014
Trading and brokerage fee income	21	20,279,864	14,793,534
Trading and brokerage fee expense	21	-3,794,644	-1,596,891
Net income from trading		**16,485,220**	**13,196,643**
Other service fees		98,487	66,097
Interest income		*37,820*	*37,170*
Interest expenses		*-100*	*-257*
Net interest income	22	37,720	36,913
Gains from foreign exchange rate changes		333,540	176,988
Other financial income and expenses	23	-206,143	0
Net income from financial activities		**16,748,824**	**13,476,641**
Income from sale of goods and services	24	148,580	93,661
Cost of goods and services sold	24	-7,547	-49,265
Gross profit		**16,889,857**	**13,521,037**
Personnel expenses	25	-2,985,866	-2,880,766
Operating expenses	26	-12,685,210	-7,838,673
Depreciation of fixed assets	12,13	-280,517	-262,634
Other operating revenue/expenses	27	2,913	-307,093
Profit (loss) before income tax		**941,177**	**2,231,871**
Income tax	18	-16,768	-12,963
Profit for the accounting period		924,409	2,218,908
Other comprehensive income for the accounting year		0	0
Comprehensive income for the accounting year		**924,409**	**2,218,908**

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Statements of Cash Flows

(in EUR)	Note	2015	2014
Cash flow from operating activities			
Profit for the accounting period		924,409	2,218,908
Adjustments for:			
Depreciation of fixed assets	12,13	280,517	262,634
Gains on the sale of property, plant and equipment		-24,995	-2,250
Changes in provisions	17	252,059	-2,212,407
Interest income/expenses	22	-37,720	-36,913
Allowance for doubtful receivables	9,10	6,652,599	0
Other adjustments		93	12,963
Adjusted operating profit		**8,046,962**	**242,935**
Change in receivables and prepayments related to operating activities		-10,870,330	-1,009,453
Change in restricted cash balance		2,460,256	-2,550,777
Change in assets related to operating activities		0	1,901
Change in liabilities and prepayments related to operating activities		870,915	967,386
Interest received		4,593	6,675
Interest paid	22	-100	-258
Corporate income tax paid		-10,701	-11,492
Net cash from operating activities		**501,595**	**-2,353,083**
Cash flow from investing activities			
Disposal of tangible and intangible assets		48,500	5,058
Purchase of tangible and intangible assets	12,13	-289,682	-290,496
Loans granted	10,28	-1,572,099	0
Repayments of loans granted	28	1,560,732	10,644
Net cash used in investing activities		**-252,549**	**-274,794**
Cash flow from financing activities			
Finance lease payments	16	-7,579	-1,171
Net cash used in financing activities		**-7,579**	**-1,171**
TOTAL CASH FLOWS		**241,467**	**-2,629,048**
Cash and cash equivalents at the beginning of the period	**7**	**14,918,373**	**17,568,591**
Change in cash and cash equivalents		**241,467**	**-2,629,048**
Effect of exchange rate changes		**5,535**	**-21,170**
Cash and cash equivalents at the end of the period*	**7**	**15,165,375**	**14,918,373**

*except restricted cash; for more information refer to Note 7.

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Statement of Changes in Equity

(in EUR)	Share capital	Reserve capital	Retained earnings	Total
Balance as at 31.12.2013	**2,585,600**	**258,550**	**14,777,644**	**17,621,794**
Profit for the accounting year	0	0	2,218,908	2,218,908
Other comprehensive income for the accounting year	0	0	0	0
Comprehensive income for the accounting year	0	0	2,218,908	2,218,908
Balance as at 31.12.2014	**2,585,600**	**258,550**	**16,996,552**	**19,840,702**
Profit for the accounting year	0	0	924,409	924,409
Other comprehensive income for the accounting year	0	0	0	0
Comprehensive income for the accounting year	0	0	924,409	924,409
Balance as at 31.12.2015	**2,585,600**	**258,550**	**17,920,961**	**20,765,111**

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3. Notes to the Financial Statements

Note 1. General information

AS ADMIRAL MARKETS (hereinafter "AM" or "AM AS") is an investment company since 05.06.2009. The company's head office is located at Ahtri 6a, Tallinn, Estonia. Company's branches are located in six member states of the European Union: Latvia, Lithuania, Poland, Romania, Bulgaria and the Czech Republic. The company provides brokerage and training services. The annual report for the year ending 31 December 2015 was approved for publication on 28.04.2016 in accordance with the management's decision. The company's shareholders have a legal right to approve these financial statements or leave them unapproved and require management to compile new ones.

Note 2. Accounting policies and estimates used in preparing the financial statements

The financial statements of Admiral Markets AS have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. In addition to the information complying with international Financial Reporting Standards, financial statements include information on risk management, own funds and capital adequacy that must be disclosed pursuant to §110[1] of the Securities Market Act that is presented in Note 5. The financial statements contain the financial results of Admiral Markets AS and its branches. These financial statements are not consolidated since Admiral Markets AS has no subsidiaries.

The key accounting policies used in the financial statements are outlined below. These policies have been used consistently in all of the years presented, unless otherwise stated. These financial statements have been prepared under the historical cost convention, except for the cases when described otherwise in the following accounting policies.

An overview of new standards and amendments to certain standards and interpretations that have been published by the time of preparation of these financial statements and the assessment of the Group's management on the effect of adoption of new standards and interpretations is disclosed in Note 4.

Assets and liabilities are assessed on a considered and conservative basis. Preparation of financial statements requires giving estimations. These estimates are based on current information about the company's status and intentions and risks at the date of preparation of the financial statements. The final result of the economic transactions recognised in the financial year or in previous periods may differ from the current period estimates.

The financial year started on 1 January 2015 and ended on 31 December 2015. The company's functional currency is the euro. The annual financial statements are presented in euros and integers, unless otherwise stated.

Recognition of foreign currency transactions and financial assets and liabilities denominated in foreign currencies

Foreign currency transactions are recorded at the currency exchange rates quoted by the European Central Bank on the transaction day. Assets and liabilities denominated in foreign currencies are translated into euros at the balance sheet date. Gains and losses from foreign currency transactions are recognised in the income statement as income or expenses for the period.

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Financial assets

The company classifies its financial assets in the following categories:

- *Financial assets at fair value through profit or loss*
- *Loans and receivables*

Financial assets are initially recognised at cost, being the fair value of the payment made or received for the financial asset. The acquisition cost includes all transaction expenses directly related to financial assets, except financial assets at fair value through profit or loss.

Financial asset is derecognised from the statement of financial position when the company loses the right to receive cash flows from the financial asset or assigns to a third party cash flows arising from the assets and significant risks and rewards connected to the financial assets.

Purchases and sales of financial assets are consistently recognised at the settlement date, i.e. at the date when the company becomes the owner of a financial asset or loses its ownership of the financial asset that has been sold.

I. Financial assets at fair value through profit or loss

The following are recorded as financial assets at fair value through profit or loss:

A) Financial assets held for trading in trading accounts

B) Derivatives, including currency pairs

Financial assets are recognised at fair value in the statement of financial position (change in value recognised in the statement of comprehensive income), except for receivables from other parties, which the company has not acquired for the purpose of resale.

Financial instruments measured at fair value are assessed on each balance sheet date to their current fair value without deducting potential transaction costs related with the realisation of the financial instrument.

Fair value gains/losses arising from financial assets and derivatives held for trading are recognised as profit or loss in the statement of comprehensive income for accounting on line “Trading and brokerage fee income”.

II. Derivatives

A derivative is a financial instrument or other contract which has the following characteristics:

- its value changes in response to changes in specified interest rate, financial instrument price, commodity price, foreign exchange rate, price or rate index, credit rating or credit index, or other variable, provided that in the case of non-monetary variable the variable is not specifically associated with the party to the contract;
- it is settled at a future date.

Derivatives are futures, forward, swap and option contracts, and other instruments of similar nature which are related to exchange rate fluctuations. A derivative usually has a notional amount, which is an amount of money, number of shares, number of weight or volume units or other units specified in the contract. Financial assets held for trading include open:

- net foreign exchange net spot positions
- net forward positions

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- rolling spot forex contracts
- Contracts for Differences

Derivatives (e.g. futures, forward, swap and option contracts) are recognised in the statement of financial position at their market value. If derivatives are quoted in an active market, the fair value shall be the market value on the balance sheet date. Subsequently, reporting a revaluation is made and the result is recognised in the statement of profit or loss line “Trading and brokerage fee income”.

Derivatives are recognised in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Fair values of balance sheet assets and liabilities from derivatives are not offset.

The company does not use special hedge accounting rules when accounting for derivatives. The fair value of derivatives is measured by the exchange rate quoted by the European Central Bank prevailing at the balance sheet date.

III. Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, short-term (with maturity of less than 3 months) bank deposits, money market fund shares and derivatives, which have no material market value change risk.

Customer funds are held in custody in the bank accounts of Admiral Markets. These instruments are accounted for off balance sheet. Cash balances on client accounts are held as a technical reserve until settlement. According to client contracts, this cash belongs to Admiral Markets AS and can be transferred to the bank account of AM at any moment. Cash on trading accounts in banks and investment firms also includes restricted cash. Cash and cash equivalents in the Statement of Cash Flows do not include such restricted cash balances.

Assessment of fair value

The company assesses financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the amount at the valuation date for which an asset can be exchanged or a liability can be settled in the normal course of business between independent parties. Fair value is determined based on the assumption that the asset is sold or liability is settled:

- under the conditions of the primary market of the asset or liability; or
- in case of absence of a primary market in the most favourable market condition for the asset or liability.

The company must have access to the primary or the most favourable market. In assessing the fair value of the asset or liability, it is expected that market participants are pricing the asset or liability based on the determination of their economic interests.

The company uses fair value valuation techniques that are appropriate in the circumstances and for which there is sufficient data to estimate the fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities that are valued at fair value or disclosed in the financial statements, are classified in accordance with the fair value hierarchy, which is described below and are based on the lowest level input that is essential to the fair value measurement:

Level 1 – Quoted (unadjusted) prices for identical assets and liabilities on an active market;
Level 2 – Valuation techniques for which the lowest level of significant inputs are directly or indirectly observable;

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Level 3 – Valuation techniques for which the lowest level of significant inputs are not observable directly or indirectly.

The company assesses at the end of each reporting period whether the assets and liabilities, which are recorded in the financial statements throughout different periods require reclassification between levels (based on the lowest input, which is important for estimating the fair value).

Trade receivables

Trade receivables are receivables arising in the company's ordinary course of business. Trade receivables are recognised at amortized cost (i.e. nominal value less any impairments, if necessary).

Accounts receivables are valued in the statement of financial position on the basis of the amounts collectible. This includes an assessment of each customer's outstanding receivables separately, considering the information available on the solvency of the customer. Doubtful receivables are recognised in operating expenses. Uncollectible receivables are written off from the statement of financial position. Receipts of previously impaired uncollectible receivables are recorded as a reduction of cost of uncollectible receivables.

Property, plant and equipment

Property, plant and equipment are recorded in the statement of financial position at cost less any accumulated depreciation and impairment losses. Based on the materiality principle, those items of property, plant and equipment with an aquisition cost over EUR 1,000 and a useful life of more than one year are recognised as tangible assets. Items of property, plant and equipment with a lower acquisition cost or shorter useful life are expensed when taken into use and are accounted for off-balance sheet.

In the case an item of property, plant and equipment consists of distinguishable important components with different useful lives, these components are recorded as separate items of property, plant and equipment in accounting by assigning them separate depreciation rates corresponding to the useful life of the components.

The company depreciates items of property, plant and equipment under the straight-line method. The following useful lives are generally assigned to items of property, plant and equipment:

Group of property, plant and equipment	Useful life
Vehicles	3-4 years
Other fixed assets	3 years

Due to the specific nature of any item of property, plant and equipment, its useful life may differ from that of another similar group. In such case, it is considered separately and a suitable period of depreciation is assigned.

The depreciation methods, useful life and residual value of items of property, plant and equipment are reviewed at least once at the end of each financial year and, if estimates differ from previous estimates, the changes are recorded as changes in accounting estimates, i.e. prospectively.

If the residual value of an asset exceeds its carrying amount, depreciation of the asset is stopped; depreciation is resumed from the moment when the residual value of the asset has decreased below its carrying amount.

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If costs incurred for an item of property, plant and equipment are such that meet the definition of property, plant and equipment, these costs are added to the acquisition cost of the item of property, plant and equipment. Ongoing maintenance and repair costs are expensed as incurred.

If an important component of an item of property, plant and equipment is replaced, the acquisition cost of the new component is added to the acquisition cost of the item provided that it corresponds to the definition of property, plant and equipment. The replaced component is written off from the statement of financial position. If the acquisition cost of the replaced component is not known, the cost to be written off is estimated on the basis of the acquisition cost at the moment of replacement less the estimated depreciation.

Intangible assets

Intangible assets are initially recognised and subsequently measured in the statement of financial position on the basis of the same principles as applied to items of property, plant and equipment. Internally created intangible assets (except capitalised development costs) are not capitalised and the expenditure is expensed on an accrual basis in the statement of profit or loss. Development expenditure is capitalised if there are technical and financial resources and a positive intention to implement the project, the company is able to use or sell the asset created, and the amount of development expenditure and the future economic benefit from intangible asset can be reliably measured.

Intangible assets are amortised using the straight-line method. The following useful lives are generally assigned to intangible fixed assets:

Group of intangible asset	Useful life
Licences, software	5 years

In certain cases an asset can have the characteristics of both property, plant and equipment and intangible asset. In these cases the classification of the asset is based on the assessment of prevalent characteristics.

If there is doubt that the value of the intangible asset may have decreased, an impairment test will be carried out on the same basis as for property, plant and equipment.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the company's management assesses whether there are signs that may indicate that the asset may be impaired. If there are doubts that the asset's value may have fallen below its carrying amount, an impairment test will be carried out. The recoverable amount is equal to the higher of the asset's fair value (less costs to sell) or value in use based on the discounted cash flow. If the test reveals that the recoverable amount is lower than its carrying amount, the non-current asset is written down to its recoverable amount. If an impairment test cannot be carried out in respect of an individual asset, then the recoverable amount is determined for the smallest group of assets (cash-generating unit) to which the asset belongs. Asset impairments are recognised as expenses in the accounting period.

If as a result of the impairment test of a previously impaired asset, the asset's recoverable value exceeds its carrying amount, the earlier impairment loss is reversed and the carrying amount of the asset is increased. The maximum limit is the carrying amount of the asset that would have been recognized using regular depreciation over the years.

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Accounting for liabilities and prepayments

Financial liabilities include trade payables, as well as short and long-term debt. Financial liabilities are initially recognised at cost, i.e. at the fair value of the payment made or received for the financial liability. Liabilities and prepayments are recognised in the statement of financial position at amortized cost. The amortized cost of short-term financial liabilities generally equals their nominal value. Non-current financial liabilities at amortized cost are initially recognised at fair value (net of transaction costs) and the interest expense for subsequent periods is accounted by using the effective interest method.

Liabilities with maturity more than one year from the balance sheet date are recognised in the statement of financial position as non-current liabilities, and the rest as current liabilities.

Payables to employees

Payables to employees include the calculated but unpaid salaries and vacation pay liabilities as of the balance sheet date. Vacation pay liabilities are recognised together with social and unemployment insurance taxes in the statement of financial position under provisions and in the statement of profit or loss under labour costs.

Leases

Finance lease

A finance lease is a lease relationship where substantial risks and rewards related to the ownership of the asset are transferred to the lessee. Other lease agreements are treated as operating leases.

Company as the lessee

Assets leased under finance lease are recognised in the statement of financial position as assets and liabilities at the fair value of the leased asset. Lease payments are divided into financial expenses and decrease of liability. Financial expenses are recognised over the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Provisions and contingent liabilities

The company establishes provisions for obligations of uncertain timing or amount. The amount and timing of the provision is determined on the basis of management or expert estimates.

A provision is recognised when the company has a present legal or constructive obligation contingent on its activity, the realization of the provision in the form of outflow of resources is likely (over 50%) and the amount of the provision can be reliably determined.

Costs related to the realization of the provision are estimated at the balance sheet date and the amount of the provision is revalued at each balance sheet date. If the provision is likely to be realized in more than one year, it is recorded at discounted present value. Discounting is based on market interest rates for similar liabilities.

Admiral Markets considers as a provision estimated client bonus, which is created in connection to the number of trade transactions. Bonus points can be redeemed during one calendar year. Calculated and unredeemed bonus points are re-calculated into monetary value and are recorded as reductions of trading

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income. Furthermore, provisions include potential litigation costs, fines and other obligations, the realization of which is possible and known to the management. The latter are expensed.

Contingent liabilities are liabilities whose probability of settlement is less than 50% or whose amount cannot be reliably estimated. Contingent liabilities are recognized off-balance sheet.

Corporate income tax

According to the current Income Tax Act, the profits distributed as dividends are taxed at the rate of 20/80 from the net dividend paid. Corporate income tax on dividends is recognised as an income tax expense in the statement of comprehensive income in the period when the dividend is declared, regardless of the period for which they are announced or when the dividends are paid out. The income tax liability and expense accounted from unpaid dividends as at the balance sheet date are adjusted according to the income tax rate in force in the new accounting period.

Admiral Markets has six branches in various European Union member states. Even though the principal activity of the branches is to only offer support services for the head office without generating direct operating income, Admiral Markets allocates revenues between the branches according to the internal pricing policy of the company. The profit generated in the distribution of income is taxed separately in each country according to local regulations. More information is provided in Note 18.

The maximum income tax liability that could arise on a dividend distribution is provided in Note 18 of the annual report.

Revenue and expenses

Revenue and expenses are recognised on an accrual basis. Revenue is recognised when there is a reasonable expectation that the benefits resulting from the transaction will flow to the company, the income can be reliably measured and the services are provided by the company. Revenue from services provided during the ordinary course of business is recognised at the fair value of the consideration received or receivable. The revenue and profit from service provision are recognised proportionally in the same periods as the expenses associated with the service provision.

Clients' trading results arising from trading in derivatives and the resulting change in market value are recorded as trading income and expense. Trading income is generated from trading in off-balance sheet derivatives and from the market transactions of AM, which are recognised in the balance sheet.

Commission and brokerage fee income and expenses include the consideration received or receivable and consideration paid or payable at fair value for mediation of the service during the company's ordinary course of business.

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments that are carried at amortized cost, using the effective interest rate method. The effective interest rate is the interest rate which when used for discounting the cash flows arising from financial asset or liability will result in the current carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all payable or receivable transaction costs, premiums or discounts related to the financial asset or liability.

Revenue from sale of goods includes revenue from the sale of books. Sales revenue is recognised when the risks and rewards of ownership are transferred to the buyer.

Other service fee income and other income are recognised on an accrual basis when the transaction occurs.

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Statutory reserve capital

According to the Commercial Code of the Republic of Estonia, the company transfers at least 5% of the net profit of the current year to the statutory reserve until the reserve is at least 10% of the share capital. The statutory reserve cannot be distributed as dividends, but it can be used to cover losses if the losses cannot be covered from unrestricted equity. The statutory reserve can also be used to increase the company's share capital.

Cash flow statement

The cash flow statement has been prepared using the indirect method - cash flows from operating activities are calculated by adjusting net profit by eliminating the impact of non-monetary transactions and changes in business related current assets and current liabilities.

Cash flows from investing and financing activities are recognised using the direct method.

Events after the balance sheet date

The financial statements reflect all significant facts affecting the assessment of assets and liabilities which occurred between the balance sheet date, 31 December 2015, and the date of preparing the report, but are linked to transactions that occurred during the reporting period or transactions of previous periods. More detailed information is provided in Note 29.

Off-balance sheet assets and liabilities

AS Admiral Markets acts as an intermediary of investment services and is responsible for depositing customer funds. Assets are considered as off-balance sheet assets, see Note 19.

Note 3. Use and interpretation of new amended standards and new accounting principles

The following new and/or revised IFRSs have been adopted by the company as of 1 January 2015:

- Collection of amendments "Annual Improvements to IFRSs 2011-2013 Cycle"
- IFRIC Interpretation 21: *Levies*

"Annual Improvements to IFRSs 2011-2013 Cycle" is a collection of the following amendments:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

IFRIC Interpretation 21: *Levies*

This interpretation addresses accounting for taxes and levies imposed by governments (except for income tax). Tax liability is recognised in the financial statements when the event giving rise to the liability occurs. The application of the interpretation had no impact on the financial statements of the company.

Standards issued but not yet effective

The group has not applied the following IFRSs and IFRIC Interpretations that have been adopted, but are not yet effective by the date of disclosure of these financial statements:

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Amendments to* IAS 1 *Presentation of Financial Statements – Disclosure Initiative

(effective for annual periods beginning on or after 1 January 2016)

The amendments clarify IAS 1 to simplify giving estimates about the presentation of financial statements. The company has yet not evaluated the impact of the application of this standard.

IAS 7 *Statements of Cash Flows – Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to readers of financial statements about an entity's financing activities. Entities are required to disclose additional information about monetary and non-monetary changes in liabilities arising from financing activities, for example, by disclosing analysis of changes in carrying amounts of liabilities related to financing activities in the notes to the financial statements. The application of these amendments will not have any impact on the financial position or performance of the company but may result in changes in disclosures by the company.

IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
(effective for annual periods beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealised losses from financial instruments measured at fair value. The company has not yet evaluated the impact of the application of this standard.

Amendments to* IAS 16 *Property, Plant and Equipment* and *IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
(effective for annual periods beginning on or after 1 January 2016)

The amendment provides additional guidance on how to calculate the depreciation or amortisation of property, plant and equipment and intangible assets. It is clarified that a revenue-based method is not considered to be appropriate for the recognition of use of property. The application of this amendment will not have any impact on the financial statements of the group, as the company does not used revenue-based depreciation and amortisation methods.

Amendments to* IAS 16 *Property, Plant and Equipment and* IAS 41 *Agriculture – Bearer Plants
(effective for annual periods beginning on or after 1 January 2016)

Bearer plants will be included in the scope of IAS 16 Property, Plant and Equipment and they should be recognised in accordance with all requirements of that standard. The application of this amendment will not have any impact on the financial statements of the company, as the company has no bearer plants.

Amendments to* IAS 19 *Employee Benefits
(effective for annual periods beginning on or after 1 February 2015)

The amendments concern accounting for the employee contributions to a defined benefit plan. Since the company's employees do not make such contributions, the application of this amendment will not have any impact on the financial statements of the company.

Amendments to* IAS 27 *– Equity Method in Separate Financial Statements
(effective for annual periods beginning on or after 1 January 2016)

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The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The company has not yet evaluated the impact of the application of this standard.

Amendment to IFRS 11 Joint Arrangements – *Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment provides further guidance on how to account for the acquisition of holdings in jointly controlled assets and liabilities that include one or more business activities. The company does not have any joint ventures, thus the application of this standard will not have any impact on the company.

IFRS 9 *Financial Instruments*
(effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 9 will replace IAS 39. The standard establishes a new framework for the classification and measurement of financial assets, accounting requirements of financial liabilities, rules for impairment of financial assets, and special rules for hedge accounting. The company has not yet evaluated the impact of the application of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities – Applying the Consolidation Exception* (effective for annual periods beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen when applying the consolidation exception for investment entities. The implementation of this standard will not have any impact on the company.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (endorsement deferred indefinitely)

The amendments address inconsistencies between the requirements of IFRS 10 and those in IAS 28, which deal with the sale of contribution of assets between an investor and its associate or joint venture. As a result of the amendments gains or losses are recognised in full for transactions with assets qualifiying for business activities and partially for assets not qualifying for business activities. The company does not have any associates or joint ventures; the application of this standard will not have any impact on the company.

IFRS 14 *Regulatory Deferral Accounts*
(effective for annual periods beginning on or after 1 January 2016, once endorsed by the EU)

The standard allows first-time adopters of IFRS to continue recognizing regulated assets and liabilities. To ensure comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of regulatory rates must be presented separately from other assets and liabilities. Entities that already report their financial statements in accordance with IFRS are not allowed to apply this standard. The implementation of this standard will not have any impact on the company.

IFRS 15 *Revenue from Contracts with Customers*
(effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from contracts with customers, regardless of the industry and type of revenue transaction. In addition, disclosure requirements are significantly increased. The company has not yet evaluated the impact of the application of this standard.

IFRS 16 *Leases*
(effective for annual periods beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognise, measure, present and disclose leases and which disclosure requirements apply to financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise all assets and liabilities for all leases in the balance sheet unless the lease term is 12 months or less or the underlying value of a leased asset is unimportant. Lessor accounting

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will remain unchanged to a large extent. The company has not yet evaluated the impact of the application of this standard.

Improvements to IFRSs

In December 2013, IASB issued a collection of amendments "Annual Improvements to IFRSs 2010-2012 Cycle" (effective for annual periods beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*
- IFRS 3 *Business Combinations*
- IFRS 8 *Operating Segments*
- IFRS 13 *Fair Value Measurement*
- IAS 16 *Property, Plant and Equipment*
- IAS 24 *Related Party Disclosures*
- IAS 38 *Intangible Assets*

In September 2014, IASB issued a collection of amendments "Annual Improvements to IFRSs 2012-2014 Cycle" (effective for annual periods beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 19 *Employee Benefits*
- IAS 34 *Interim Financial Reporting*

The application of these amendments may have an impact on the company's accounting policies and disclosures, but they will not have any impact on the financial position or performance of the company.

The company plans to apply the abovementioned standards and interpretations on the day they enter force provided they are endorsed by the EU.

Note 4. Use of estimates, assumptions and judgements

Preparation of financial statements requires management to make decisions, assumptions and estimates that affect the total amount of income and expenses and assets and liabilities and contingent liabilities recognised during the accounting period. Uncertainty in these estimates and assumptions could lead to a situation where in the future periods it may be necessary to adjust the carrying amounts of assets or liabilities to a significant extent.

The main assumptions and estimates that may affect the future and have significant impact on the carrying amounts of assets and liabilities within the next financial year are described below. Although the company uses facts that are known at the time of the report as the basis for making estimates and assumptions, future developments may give rise to changes in the market or in the circumstances that are outside the company's control. Such changes are taken into account in assessments at the time they occur.

Management estimates have been implemented in the valuation of receivables and other financial assets (Notes 6, 9), when estimating the amount of provisions (Note 17), as well as determining the useful life and final value of property, plant and equipment and intangible assets (Notes 12 and 13).

When capitalising development costs as intangible assets, the management has made assumptions about meeting the required criteria. One new technical solution to support the trading service has been capitalised as development costs (Note 13).

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Note 5. Risk management, principles of calculating capital requirements and capital adequacy

Principles of risk and capital management

Risk management is a part of the internal control system of Admiral Markets AS. Risk management procedures and basis of assessment are set out in the company's internal rules and internal risk management policy. The risk manager and the Management Board are directly responsible for the risk management process. Efficiency of the process is verified by the compliance control officer and internal auditor.

Risk is potential negative deviation from the expected financial result. Steps used to implement risk management: identification, assessment and mitigation of risks. Depending on their nature, risks are measured using the following methods: qualitative (extent of impact and probability of occurrence) or quantitative (monetary impact, percentages, etc.).

The main risks associated with the business of Admiral Markets include:

Quantitatively measured risks

- Market risk, incl. currency, commodity and position risk;
- Credit risk, incl. counterparty risk, concentration risk, country risk;
- Liquidity risk;
- Operational risk, incl. control and management risk, legal risk, personnel risk, IT risk, model risk.

Qualitatively measured risks

- Reputation risk;
- Business risk;
- Strategic risk.

In the opinion of the management, the main risks of Admiral Markets include credit, concentration, operation, liquidity and currency risks.

Quantitatively measured risks

Credit risk

Credit risk arises from a probable loss that may arise from incorrect performance or non-performance of the obligations arising from the law, or other factors (including the economic situation). Due to Admiral Markets' field of activity, credit risk arises from receivables from banks, companies, clients, prepayments from foreign partners and other accruals. Admiral Markets calculates the credit risk position in accordance with the standard method specified in Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation. The risk position value of an asset item is its accounting value after specific credit risk adjustments. In order to calculate the risk position value of a derivative, Admiral Markets AS uses the market value method under the terms and conditions and pursuant to the procedure provided for in legislation.

An amendment to the Credit Institutions Act entered into force on 29 March 2014, transposing Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation into Estonian legislation. As a result, both risk positions of risk types and capital (own funds) requirements are shown in the risk and capital adequacy tables. Since 2015, risk weights have been established on bank accounts in credit institutions and in trading accounts in investment firms according to Articles 120-122 of the aforementioned regulation. The amendment arose from an additional comment of the European Central Bank with which an additional content was provided in the regulation to cash and cash equivalents.

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Credit risk position as at 31 December 2014 and 31 December 2015 (in EUR)

Assets	2015	Risk position	Capital requirement (8%)	2014	Risk position	Capital requirement (8%)
Bank accounts in credit institutions	10,275,642	1,847,070	147,766	12,073,908	0	0
Cash on hand	1,220	0	0	0	0	0
Trading accounts in investment firms	5,308,255	1,061,651	84,932	5,724,462	0	0
Derivatives	97,516	97,516	7,801	236,165	236,165	18,893
Receivables and prepayments	3,856,572	3,856,572	308,526	3,245,337	3,245,337	259,627
Other short-term receivables and prepayments	3,721,181	3,721,181	297,695	0	0	0
Tangible assets	378,678	378,678	30,294	463,138	463,138	37,051
Cash and cash equivalents (off-balance sheet)	7,777,134	1,918,160	153,453	15,049,393	0	0
Total	**31,416,201**	**12,880,830**	**1,030,466**	**37,282,248**	**3,944,640**	**315,571**

The maximum exposure to credit risk as at the balance sheet date was as follows (in EUR):

	Notes	31.12.2015	31.12.2014
Cash and cash equivalents	7	15,585,116	17,798,370
Financial instruments at fair value through profit or loss	8	97,516	236,165
Short-term loans, receivables and prepayments	9	4,000,936	2,521,775
Long-term loans issued	10	485,638	723,562
Long-term receivables	11	3,091,181	0
Total		**23,260,387**	**21,279,872**

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Concentration risk

Concentration risk is defined as risk arising from a large exposure to a single counterparty or related counterparties, or counterparties whose risk is influenced by a common risk factor or whose risk is in a strong positive correlation (including concentration risk based on a single economic sector, geographic region or activities/ products).

Cash and trading account balances distributed by countries	31.12.2015		31.12.2014	
	Balance sheet balances	Off-balance sheet balances	Balance sheet balances	Off-balance sheet balances
Estonia	8,793,628	5,902,877	4,222,295	8,369,974
England	3,640,851	103,810	7,742,353	329,406
Cyprus	1,296,439	0	0	0
Switzerland	1,080,376	0	1,086,262	0
Poland	149,944	748,306	349,357	1,941,254
The Netherlands	0	0	3,926,907	79,463
Other countries	623,878	1,022,141	471,196	4,819,141
Total	**15,585,116**	**7,777,134**	**17,798,370**	**15,539,238**

Concentration risk is the ratio of Admiral Markets' risk exposure to company's own funds. The activities of Admiral Markets are aimed at avoiding excessive concentration risks, both geographically and by individual counterparties. To this end, the company's management has established limits on concentration risk. With regard to banks the limit is 100% of own funds. With regard to investment companies the counterparty concentration risk limit is 25% of own funds.

Operational risk

Operational risk is risk of loss resulting from internal factors (incl. inadequate or failed internal processes, human activities or systems) or from external events (external crime, natural disasters). This risk comprises mainly of the following risks:

- control and management risk;
- personnel risk;
- information technology risk;
- procedural risk.

The main methods for managing operational risk are the personnel policy, implementation of various internal controls and business continuity plan.

Admiral Markets calculates the own funds requirement for operational risks according to the base method of Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation, which establishes the own funds requirement for operational risk at 15 percent of the net profit from principal activity of the company in the past three years. Net profit from principal activity is the average amount of net interest income and net trading income and other operating income, calculated on the basis of data for the last three financial years. This choice was made due to the nature of operations and the size of the company.

Capital requirement for operational risk

Year	Value	Capital requirement base	Risk weight	Own funds requirement	Total risk position
31.12.2015	44,340,874	14,780,291	15%	2,217,044	27,713,046

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31.12.2014	40,904,135	13,634,712	15%	2,045,207	25,565,084

Market risk

Foreign currency risk

Foreign currency risk is the main part of market risk, which could affect Admiral Markets' capital size and principal activity. Foreign currency risk is defined as the potential damage caused by unfavourable movements of exchange rates. All balance sheet and off-balance sheet assets and liabilities that depend on the changes in exchange rates, are taken into account when calculating the foreign currency net open position. The euro is not considered as a foreign currency. Foreign currency net open position is calculated separately for each currency. Admiral Markets has set a certain limit on the level of the foreign currency open position and holds an additional capital buffer to cover the foreign exchange risk.

Balance sheet and off-balance sheet assets and liabilities subject to foreign currency risk

The following table summarises the balance sheet and off-balance sheet foreign currency risks of Admiral Markets as at the balance sheet date (in EUR).

31.12.2015	EUR	USD	PLN	Other currencies	Total
Bank and trading accounts	14,974,587	6,709,403	928,584	749,677	23,362,251
Other assets and receivables	6,468,556	236,275	85,392	894,189	7,684,412
Total assets	**21,443,143**	**6,945,678**	**1,013,976**	**1,643,866**	**31,046,663**
Total liabilities	**6,268,959**	**2,772,981**	**974,045**	**725,615**	**10,741,600**

31.12.2014	EUR	USD	PLN	Other currencies	Total
Bank and trading accounts	22,161,342	6,673,228	1,702,421	2,600,452	33,137,442
Other assets and receivables	3,568,491	718,599	25,449	462,247	4,774,786
Total assets	**25,729,833**	**7,391,827**	**1,727,870**	**3,062,698**	**37,912,228**
Total liabilities	**6,215,950**	**6,538,299**	**3,321,092**	**3,723,600**	**19,798,941**

Open positions of the trading portfolio as at the balance sheet dates of 31 December 2014 and 31 December 2015 (in EUR)

31.12.2015			31.12.2014		
Currency	**Long positions**	**Short positions**	**Currency**	**Long positions**	**Short positions**
USD	61,307,135	50,505,058	EUR	61,657,990	69,948,829
CAD	28,055,443	34,184,974	USD	81,273,264	21,446,796
GBP	8,138,199	25,776,762	AUD	23,144,231	38,210,961
EUR	11,322,044	10,050,069	CHF	23,548,988	31,059,573
JPY	12,559,246	2,840,308	GBP	19,188,606	27,234,558
Other currencies	13,775,346	11,763,909	Other currencies	34,283,402	51,645,591
Total	**135,157,414**	**135,121,079**	**Total**	**243,096,481**	**239,546,308**

The performed sensitivity analysis indicates the impact of exchange rate changes on the statement of comprehensive income in euros, assuming that all other indicators remain constant.

2015

Impact on statement of comprehensive income		**PLN**	**USD**	**CZK**	**AUD**
Exchange rate change in relation to euro					
	10%	543,532	273,986	114,307	37,394
	-10%	-543,532	-273,986	-114,307	-37,394

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2014

Impact on statement of comprehensive income		**USD**	**PLN**	**CZK**	**AUD**
Exchange rate change in relation to euro					
	10%	170,105	57,515	41,415	23,738
	-10%	-170,105	-57,515	-41,415	-23,738

The currency risk is hedged by converting monetary funds into euros and by hedging positions arising from the transactions.

The trading portfolio position risk arises from trading with instruments related to equities and equity indexes. The risks related to equity instruments opened by clients are managed at the counterparty one-to-one. Internal restrictions have been established on instruments related to equity indexes.

Commodity risk arises upon trading with instruments related to goods, such as silver and petroleum. Internal limits have been established on trading with instruments related to them.

Market risk capital requirement

The total sum of the market risk capital requirement is the sum of the currency risk, trading portfolio position risk and commodity risk claims. At the end of 2015, AS Admiral Markets also started, in addition to the currency risk, the accounting of other risk positions related to the market risk.

Market risk positions and capital requirements as at 31 December 2015 (in EUR)

	2015		**2014**	
	Risk position	**Capital requirement**	**Risk position**	**Capital requirement**
Currency risk	30,036,119	2,402,886	61,544,729	4,923,578
Trading portfolio position risk	3,532,947	282,636	0	0
Commodity risk	1,863,176	149,054	0	0
Total market risk	**35,432,242**	**2,834,576**	**61,544,729**	**4,923,578**

Qualitatively measured risks

Liquidity risk

Liquidity risk is related to the solvency of AM contractual obligations in a timely manner due to differences in maturities between assets and liabilities. To manage the liquidity risk, probable net position of receivables and payables of different periods of time is monitored on a daily basis and by keeping at any time on the account adequate liquid assets, as well as the concentration of liabilities by maturity is monitored. As at 31 December 2015 and 31 December 2014, AM AS had no overdue payables.

	31.12.2015	**31.12.2014**	**Note**
Liabilities by maturity dates (up to 3 months)	2,184,930	1,801,089	14,17
Liabilities by maturity dates (up to 9 months)	783,325	0	14
Cash and cash equivalents held for managing liquidity risk, except cash in trading accounts (up to 3 months)	10,276,862	5,986,416	7
Difference of financial liabilities and assets (up to 3 months)	7,308,607	4,185,327	

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* AM AS does not have any significant liabilities with a maturity date exceeding three months.

Strategic risk and **reputation risk** are assessed by Admiral Markets using scenario analysis.

Capital management

The Management Board and risk manager of Admiral Markets is responsible for the overall business planning process in assessing capital requirements in relation to the risk profile and for presentation of a strategy for maintaining recommended capital levels. Capitalization of Admiral Markets has to be based on risks, relying on the assessment of all risks associated with its operation. It has to be forward-looking and in conformity with short-and long-term business plans, as well as expected macroeconomic developments.

No changes has been made in the capital management objectives, policies or processes as at 31 December 2015 and 31 December 2014.

Capital adequacy

Capital adequacy reflects the adequacy of Admiral Markets' own funds for the risks arising from the company'seconomic activities.

Equity of Admiral Markets must at any time be equal to or exceed the minimum amount of share capital of EUR 730 000 as required by the Securities Market Act. Admiral Markets must also comply with the equity requirements provided in the European Parliament and Council Regulation (European Union) No 575/2013 (hereinafter CRR) and maintain capital buffers provided in the Credit Institutions Act. To sum up, Admiral Markets' own funds have to constitute at least 12.5% of the total risk position.

The own funds of Admiral Markets as at 31 December 2015 have been reduced due to disbursement of dividends to the owners of the company in February 2016. The current profit of 2015 has not been included therein.

Own funds (in EUR)

Capital base	**31.12.2015**	**31.12.2014**
Share capital	2,585,600	2,585,600
Statutory reserves transferred from net profit	258,550	258,550
Retained earnings of previous periods	16,836,552	16,996,552
Intangible assets	-216,487	-146,368
Sum of Tier 1 own funds	**19,464,215**	**19,694,334**
Total own funds	**19,464,215**	**19,694,334**

Risk positions (in EUR)

Risk positions	**31.12.2015**		**31.12.2014**	
	Risk positions	**Capital requirements (8%)**	**Risk positions**	**Capital requirements (8%)**
Credit risk	12,880,830	1,030,466	3,944,640	315,571
Market risk	35,432,243	2,834,579	61,544,729	4,923,578
Operational risk	27,713,046	2,217,044	25,565,084	2,045,207
Total risk position	**76,026,119**	**6,082,090**	**91,054,454**	**7,284,356**

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Capital adequacy

	31.12.2015	31.12.2014
Capital adequacy	25.60%	21.63%

Capital adequacy as at 31 December 2015 was 25.60% and consequently, capital adequacy and own funds of Admiral Markets exceed the statutory limit of 12.5%.

Internal capital adequacy assessment process

In addition to the aforementioned regulatory capital requirements, Admiral Markets assesses all important risks in the internal capital adequacy assessment process (ICAAP), including essentially qualitative risks, and ensures that all risks are adequately covered with capital. Admiral Markets utilises suitable and relevant methods for risk assessment. Admiral Markets uses as risk sensitive methods as possible to assess various risks. Once a year, or more frequently, if necessary, Admiral Markets assesses and analyses any risks associated with its business and updates its risk model and creates additional capital buffers.

Stress testing

Stress test – an analysis to assess the effect of significant adverse changes in the operating environment on the risks and capital requirements of a credit institution or an investment firm. According to the regulation that entered into force in 2013, Admiral Markets uses stress testing, sensitivity analysis and scenario analysis for preventive assessment of the impact of potential negative changes in the operating environment on the risk profile and capital requirements of the investment firm.

Note 6. Assessment of fair value

Quantitative data disclosed on the assessment of fair value hierarchy as at 31 December 2015:

			Fair value estimation using			
	Notes	Date of assessment	Total	Level 1	Level 2	Level 3
Assets recognised at fair value:						
Derivatives:						
Currency pairs	8	31.12.2015	95,289	0	95,289	0
CFD derivatives	8	31.12.2015	799	0	799	0
Other derivatives	8	31.12.2015	1,428	0	1,428	0
Liabilities recognised at fair value:						
Derivatives:						
Currency pairs	8	31.12.2015	85,951	0	85,951	0
CFD derivatives	8	31.12.2015	1,374	0	1,374	0
Other derivatives	8	31.12.2015	34,861	0	34,861	0
Assets and liabilities subject to fair value disclosure requirement:						
Loans grated*	10	31.12.2015	545,750	0	0	545,750
Finance lease liability	16	31.12.2015	0	0	0	0

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Quantitative data disclosed on the assessment of fair value hierarchy as at 31 December 2014:

	Notes	Date of assessment	Fair value measurement using			
			Total	Level 1	Level 2	Level 3
Assets recognised at fair value:						
Derivatives:						
Currency pairs	8	31.12.2014	235,073	0	235,073	0
CFD derivatives	8	31.12.2014	1,092	0	1,092	0
Liabilities recognised at fair value:						
Derivatives:						
Currency pairs	8	31.12.2014	245,981	0	245,981	0
CFD derivatives	8	31.12.2014	1,606	0	1,606	0
Assets and liabilities subject to fair value disclosure requirement:						
Loans granted*	10	31.12.2014	723,562	0	0	723,562
Finance lease liability	16	31.12.2014	7,578	0	7,578	0

* Loans granted are recognised at amortized cost. Future contractual cash flows were assessed by using current market interest rates and the resulting fair value does not significantly differ from the carrying amount.

Levels used in the hierarchy:

Level 1 –quoted price in an active market
Level 2 – valuation technique based on market data
Level 3 – other valuation methods with estimated inputs

Note 7. Cash and cash equivalents

Type of cash	31.12.2015	31.12.2014
Cash in hand	1,220	9,869
Demand deposits	9,236,064	3,426,008
Cash on client accounts*	1,039,578	2,550,539
Cash on trading accounts**	5,308,254	11,811,954
Total cash and cash equivalents	**15,585,116**	**17,798,370**

* Cash at bank which is held as a technical reserve until settlement with clients. According to client contracts, this cash belongs to Admiral Markets AS and it can be transferred to the bank account of AM at any time.

** Recognized as cash in trading accounts in banks and investment companies which includes, inter alia, EUR 419,741 in restricted cash (2014: EUR 2,879,997). The balance of restricted cash as at 31 December 2015 has decreased due to changes in trading conditions.

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Note 8. Financial instruments at fair value through profit or loss

Instrument	31.12.2015 Asset	31.12.2015 Liability	31.12.2014 Asset	31.12.2014 Liability
Currency pairs	95,289	85,951	235,073	245,981
CFD derivatives	799	1,374	1,092	1,606
Indexes	0	31,084	0	0
Other	1,428	3,777	0	0
Total	**97,516**	**122,186**	**236,165**	**247,587**

Note 9. Short-term loans, receivables and prepayments

	31.12.2015	31.12.2014	Note
Trade receivables*	6,722,197	1,065,882	
Doubtful receivables	-5,650,732	-321,799	
Settlements with employees	444	2,428	
Prepaid expenditure of future periods	170,028	182,427	
Prepayments to suppliers	3,954	16,256	
Receivables from group companies**	2,436,739	1,281,693	28
Other short-term receivables	8,019	1,796	10
Prepaid taxes	310,287	293,092	15
Total	**4,000,936**	**2,521,775**	

Information on doubtful receivables:

	31.12.2015	31.12.2014
Doubtful receivables at the beginning of the period	-321,799	-1,799
Receivables recognised as doubtful	-6,429,781	-320,000
Collection of previously recognized as doubtful receivables	848	0
Doubtful receivables at the end of the period	**-6,750,732**	**-321,799**
incl. long-term portion (see Note 11)	*-1,100,000*	*0*

* On 15 January 2015, the Swiss National Bank announced that it will terminate its ceiling where one euro equals 1.20 francs that had been in place for 3 years. The decision resulted in unprecedented volatility (i.e. a sudden change in the price sequence) in the foreign exchange market, which led to a greater leverage on Swiss franc investments and virtually instant destruction for those who had contributed to the depreciation of franc or a record growth of those who were skeptical about the Swiss National Bank's policy and the information published in the press conferences. Therefore customer receivables of Admiral Markets AS have also increased compared to the data of the previous year. Based on the principle of conservatism, a part of the receivable was deemed as doubtful in accordance with a resolution of the Management Board.

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** Receivables from group companies as at 31 December 2015 have grown due to an increase in business volumes of the companies and an amendment to agreements between Admiral Markets and the aforementioned companies.

Note 10. Loans granted

	31.12.15	Distribution by maturity			Interest rate	Due date	Base currency	Interest receivable 31.12.2015	Note
		1	2-5 years	Over 5 years					
Loan 1	25,000	0	25,000	0	12-month Euribor + 4%	03.2017	EUR	2,942	9
loan 2*	0	0	0	0	6-month Euribor + 2.5%	-	USD	0	
Loan 3	55,112	55,112	0	0	12-month Euribor + 3%	04.2016	USD	5,129	28
Loan 4**	335,638	0	335,638	0	6%	12.2018	AUD	27,140	28
Loan 5**	125,000	0	125,000	0	3.5%	12.2019	EUR	4,375	28
Loan 6	5,000	5,000	0	0	Fixed EUR 140	05.2016	EUR	77	9
Total	**545,750**	**60,112**	**485,638**	**0**			**EUR**	**39,663**	

	31.12.14	Distribution by maturity			Interest rate	Due date	Base currency	Interest receivable 31.12.2014	Note
		1	2-5 years	Over 5 years					
Loan 1	25,000	0	25,000	0	12-month Euribor + 4%	03.2017	EUR	1,796	9
Loan 2	186,968	0	186,968	0	6-month Euribor + 2.5%	03.2016	USD	7,840	28
Loan 3	49,419	0	49,419	0	12-month Euribor + 3%	04.2016	USD	2,875	28
Loan 4**	337,175	0	337,175	0	6%	12.2018	AUD	17,958	28
Loan 5**	125,000	0	125,000	0	3.5%	12.2019	EUR	4,531	28
Loan 6	0	0	0	0	-	-	-	0	9
Total	**723,562**	**0**	**723,562**	**0**			**EUR**	**35,000**	

* In 2015, Loan 2 was declared as doubtful, as a result of which the company has incurred other financial expenses in the amount of EUR 222,818, of which EUR 208,506 is a doubtful loan granted and EUR 14,312 doubtful interests (see Note 23).

** Loan 4 and Loan 5 are subordinated loans.

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Note 11. Long-term receivables

	Balance 31.12.15	Repayment terms and amounts			Underlying currency
		1	2-5 years	Over 5 years	
Receivable 1	4,821,181	630,000	4,191,181	0	EUR
Recognised as doubtful	-1,100,000	0	-1,100,000	0	EUR
Total	**3,721,181**	**630,000**	**3,091,181**	**0**	**EUR**

The receivable has arisen as a result of the decision of the Swiss National Bank on 15 January 2015, for more information see Note 9.

Note 12. Tangible assets

Tangible assets	Vehicles	Other fixed assets	Total
Acquisition cost 31.12.13	**284,621**	**352,002**	**636,623**
Acquisition	47,974	167,089	215,063
Sales and write-offs	-10,000	-670	-10,670
Acquisition cost 31.12.14	**322,595**	**518,421**	**841,016**
Acquisition	48,310	128,731	177,041
Sales and write-offs	-61,245	-45,729	-106,974
Acquisition cost 31.12.15	**309,660**	**601,423**	**911,083**
Accumulated depreciation 31.12.13	**58,854**	**107,149**	**166,003**
Depreciation calculated in the accounting year (+)	80,105	139,731	219,836
Sales and write-offs	-7,291	-670	-7,961
Accumulated depreciation 31.12.14	**131,668**	**246,210**	**377,878**
Depreciation calculated in the accounting year (+)	82,853	155,142	237,995
Sales and write-offs	-38,175	-45,293	-83,468
Accumulated depreciation 31.12.15	**176,346**	**356,059**	**532,405**
Residual value 31.12.13	**225,767**	**244,853**	**470,620**
Residual value 31.12.14	**190,927**	**272,211**	**463,138**
Residual value 31.12.15	**133,314**	**245,364**	**378,678**

Note 13. Intangible assets

	Licences and software	Total
Acquisition cost 31.12.13	**196,821**	**196,821**
Acquisition	25,604	25,604
Development of intangible assets*	58,579	58,580
Acquisition cost 31.12.14	**281,005**	**281,005**
Development of intangible assets*	112,641	112,641
Sales and write-offs	-921	-921
Acquisition cost 31.12.15	**392,725**	**392,725**
Accumulated amortization 31.12.13	**91,839**	**91,839**
Amortization calculated in the accounting year (+)	42,798	42,798

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Accumulated amortization 31.12.14	**134,637**	**134,637**
Amortization calculated in the accounting year (+)	42,522	42,522
Sales and write-offs	-921	-921
Accumulated amortization 31.12.15	**176,238**	**176,238**

Residual value 31.12.13	**104,982**	**104,982**
Residual value 31.12.14	**146,368**	**146,368**
Residual value 31.12.15	**216,487**	**216,487**

* As at 31 December 2015, the company has introduced one technical solution to support the trading service, which was developed in the period from December 2014 to December 2015.

Note 14. Liabilities and prepayments

Type of liability	31.12.2015	31.12.2014	Note
Liabilities to trading counter-parties*	1,383,325	0	
Liabilities to trade creditors	427,616	303,694	
Payables to employees	150,458	121,193	
Taxes payable	125,040	190,594	15
Liabilities to related parties	94,229	644,466	28
Other accrued expenses**	79,537	77,571	
Finance lease liabilities	0	7,578	16
Total	**2,260,203**	**1,345,096**	

* The liabilities have arisen as a result of the decision of the Swiss National Bank of 15 January 2015, for more information see Note 9. The payment due date is 20 July 2016. The revenue and expenses arisen from the estimation of the present value of the liability are given in Note 23.

** Other accrued expenses include calculated but unpaid taxes on wages as at 31 December 2015 as well as unsettled transactions with reporting persons.

Note 15. Tax liabilities

	31.12.2015		31.12.2014		
	Prepaid taxes	**Tax payables**	**Prepaid taxes**	**Tax payables**	**Note**
Value-added tax	0	54	43,932	36,903	
Corporate income tax	0	10,762	0	14,080	
Individual income tax	0	38,421	0	39,918	
Social security tax	0	70,329	0	78,825	
Unemployment insurance payments	0	3,181	0	3,817	
Contributions to funded pension	0	2,271	0	2,270	
Other tax receivables/liabilities in foreign countries	93,080	22	1,443	0	
Interest payable	0	0	0	14,781	
Prepayments account	217,207	0	247,717	0	
Total	**310,287**	**125,040**	**293,092**	**190,594**	**9, 14**

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Note 16. Financial and operating lease

Tangible assets acquired under finance lease

As at 31 December 2015, there are no finance lease liabilities; as at 31 December 2014, the company had a passenger car acquired under finance lease. The interest paid during the accounting year on finance lease was EUR 100 (2014: EUR 258). The finance lease repayments in 2015 amounted to EUR 7,578 (2014: EUR 1,171).

Asset type	Liability balance 31.12.2015	12 months	1-5 years	Contractual interest rate
Passenger car	0	0	0	-
Asset type	**Liability balance 31.12.2014**	**12 months**	**1-5 years**	**Contractual interest rate**
Passenger car	7,578	2,868	4,710	6-month EURIBOR + 2.5%

Operating lease

The company leases office premises and passenger cars under operating lease.

	2015	2014
Operating lease of premises	292,792	308,578
Operating lease of cars	8,477	25,646

Non-cancellable operating lease payments in the future periods

	31.12.2015	31.12.2014
During 12 months	0	7,209
During 1-5 years	0	0

Note 17. Provisions

(in EUR)	Holiday reserve	Loyalty programme liabilities*	Potential court dispute expenses**	Broker's agency fee***	Other accrued expenses	Total
01.01.2015	**88,350**	**132,493**	**201,940**	**0**	**33,210**	**455,993**
Provisions used	-7,493	-105,307	0	0	-	-112,800
Provisions formed	0	0	25,000	282,676	57,183	364,859
31.12.2015	**80,857**	**27,186**	**226,940**	**282,676**	**90,393**	**708,052**

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(in EUR)	Holiday reserve	Loyalty programme liabilities*	Potential court dispute expenses**	Provision for potential tax liabilities	Other accrued expenses	Total
01.01.2014	**46,656**	**173,902**	**201,940**	**2,229,378**	**16,524**	**2,668,400**
Provisions used	0	-41,409	0	-2,229,378	0	-2,270,787
Provisions formed	41,694	0	0	0	16,686	58,380
31.12.2014	**88,350**	**132,493**	**201,940**	**0**	**33,210**	**455,993**

* The clients of Admiral Markets earn bonus points when they enter into a customer contract and in the course of trading. Bonus points can be exchanged against valuable gifts during one calendar year.

** AM AS is involved in an ongoing court dispute with a client and former employee and the outcome was not decided by the date of compilation of the annual report. As at 31 December 2014, the management has formed provisions to cover the claims submitted against AM AS. In 2015, the reserve was increased by EUR 25,000, taking into account potential default interest liabilities.

*** Liabilities arising from a contract signed between AM AS and its counterparty that are subject to payment no later than on 25 July 2016 in the amount of up to USD 450,000. The reserved amount has been calculated taking into account the amount paid in Q1 of 2016 as the average periodic value of the contractual liability.

Note 18. Corporate income tax

According to Estonian laws, retained earnings are not taxed with corporate income tax, whereas paid-out dividends are taxed. No dividends were paid to shareholders in 2015.

As a result of the activity of the branches in the company had an income tax liability of EUR 16,768.

	2015	2014
Income tax expense associated with regular business activities	16,768	12,963

Income tax on corporate profits was paid by branches in Latvia, Lithuania, Romania and the Czech Republic in accordance with the local legislation.

2015:

Country	Latvia	Lithuania	Romania	Czech Republic
Income tax rate in 2015	15%	15%	16%	19%
Profit before tax	22,273	26,467	29,006	25,347
Income tax expense	3,341	3,970	4,641	4,816
Effective income tax rate	**15%**	**15%**	**16%**	**19%**

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2014:

Country	Latvia	Lithuania	Romania	Czech Republic
Income tax rate in 2014	15%	15%	16%	19%
Profit before tax	19,573	36,405	17,088	9,637
Income tax expense	2,936	5,461	2,735	1,831
Effective income tax rate	**15%**	**15%**	**16%**	**19%**

Potential income tax

The company's retained earnings as at 31 December 2015 amounted to EUR 17,951,552. The maximum potential income tax liability that may incur if all retained earnings are paid out as dividends is EUR 3,590,310, therefore it is possible to pay out EUR 14,361,242 as net dividends, on the condition that the amount of the dividend and the income tax does not exceed the balance of retained earnings.

Note 19. Off-balance sheet assets

Off-balance sheet assets are funds of these clients who use the trading systems mediated by Admiral Markets AS. Because of the specific feature of the system, AM AS deposits these funds in personalized accounts in banks and in other investment companies. The company does not use client funds in its business operations and accounts for them off-balance sheet.

Off-balance-sheet assets by location	31.12.2015	31.12.2014
Bank accounts	7,608,369	15,049,393
Interim accounts of card payment systems	168,765	292,848
Trading accounts in investment firms	0	196,997
Receivables from clients	9,141	0
TOTAL	**7,786,275**	**15,539,238**

Note 20. Share capital

	31.12.2015	31.12.2014
Share capital	2,585,600	2,585,600
Number of shares (pc)	404,000	404,000
Nominal value of shares	6.4	6.4

Under the articles of association, the minimum share capital of the investment company is EUR 766,940 and the maximum share capital is EUR 3,067,059 in the range of which the share capital may be increased and decreased without amending the articles of association. All issued shares have been fully paid for.

Each share grants a shareholder one vote at the general meeting of shareholders of Admiral Markets AS.

Reserve capital

According to the Commercial Code, a mandatory reserve capital has been formed earlier, using 1/20 of the annual profit each year. The reserve capital may be used to cover losses or to increase the share capital. The legal reserve may not be used to make disbursements to shareholders.

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Note 21. Profit from trading activities

Types of income	2015	2014
Trading and brokerage fee income incl.	20,310,455	14,793,534
derivative trading	*40,011,176*	*14,018,768*
net gain from trading of financial assets at fair value through profit or loss	*-19,408,700*	*1,466,777*
brokerage fee	*473,931*	*23,558*
loyalty programme bonuses for clients, incl. unredeemed but accounted	*-765,952*	*-715,569*
Trading and brokerage fee expense, incl.	-3,794,644	-1,596,891
commission and brokerage fees expense	*-3,775,773*	*-1,618,913*
Other fees	*-18,871*	*22,022*
Net income from trading	**16,515,811**	**13,196,643**

Note 22. Interest income and expenses

	2015	2014	Note
Interest income, incl.	37,820	37,171	
bank interest	*2,013*	*6,604*	
interest income from loans granted	*35,807*	*30,567*	
Interest expenses, incl.	-100	-258	16
finance lease interest expenses	*-100*	*-258*	
Net interest income	**37,720**	**36,913**	

Note 23. Other financial income and expenses

	2015	2014	Note
Financial income, incl.	109,425	0	
*income from initial registration of liabilities**	*109,425*	*0*	
Financial expenses, incl.	-315,568	0	
*interest expenses on discounting**	*-92,750*	*0*	
loss from doubtful loan and interest	*-222,818*	*0*	10
Net interest income	**-206,143**	**0**	

* Financial income and expenses arise from a payable to a trading counterparty (see Note 14) that has been estimated to its present value. The due date for the payment of the liability is 25 July 2016.

Note 24. Income and expenses from sale of goods and services

Types of income	2015	2014
Income from sale of goods	1,376	3,509
Income from sale of services	147,204	90,152
Total income from sale of services and goods	**148,580**	**93,661**
Types of expenses		
Expenses of sale of goods	0	-5,188

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Services bought for resale	-7,548	-44,077
Total expenses of sale of services and goods	**-7,548**	**-49,265**

Note 25. Personnel expenses

The remuneration paid to employees including social security taxes amounted to EUR 2,737,263 (2014: EUR 2,544,794) and the remuneration paid to the management amounted to EUR 248,603 (2014: EUR 335,972). The average number of employees was 112 persons (2014: 91 persons).

	2015	2014
Employees (headquarters of Admiral Markets AS)	-1,984,457	-1,806,702
Employees (branches)	-760,299	-706,879
Remuneration of the Management Board and Supervisory Board	-248,603	-335,972
Vacation pay reserve	7,493	-31,213
Total	**-2,985,866**	**-2,880,766**

Note 26. Operating expenses

Types of expense	2015	2014
Expenses of doubtful receivables*	-6,485,901	-320,000
Marketing expenses	-1,985,763	-2,571,275
IT expenses	-1,383,350	-2,134,860
Other outsourced services	-1,242,822	-1,251,255
VAT expenses	-312,757	-256,136
Regulative reporting service	-223,078	-100,580
Transport and communication costs	-125,306	-196,163
Travelling expenses	-84,700	-135,262
Supervision fee of the Financial Supervision Authority	-54,544	-53,176
Office expenses	-40,971	-372,714
Other operating expenses	-746,018	-447,252
Total operating expenses	**-12,685,210**	**-7,838,673**

* The expenses are related to the event described in Note 9.

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Note 27. Other operating income/expenses

Types of income	2015	2014
Profit from sale of tangible assets	24,995	2,250
Other operating income	3,575	29,729
Type of expenses		
Penalties and fines for delay imposed pursuant to law	-25,219	-179,222
Special cases income tax	-112	-159,147
State fees	-326	-58
Other operating expenses	0	-645
Total	**2,913**	**-307,093**

Note 28. Transactions with related parties

Transactions with related parties are transactions with the parent company, shareholders, members of the management, their close relatives and companies under their control or over which they have significant influence. The parent company of Admiral Markets AS is Admiral Markets Group AS.

Revenue

Type	Relation	2015	2014
Revenue from brokerage and commission fees*	Companies in the same consolidation group	12,211,986	1,183,879
Services	Companies in the same consolidation group	92,117	45,843
Interest income	Companies in the same consolidation group	34,584	29,287
Sale of property, plant and equipment	Senior management and companies related to them	26,667	0
Total		**12,365,354**	**1,259,009**

* Revenue from brokerage and commission fees in 2015 has grown due to an increase in business volumes of companies in the same consolidation group and amendment to agreements between Admiral Markets and the aforementioned companies.

Expenses

Type	Relation	2015	2014
Commission fees	Companies in the same consolidation group	2,885,368	1,044,589
Services	Companies in the same consolidation group	619,826	1,341,689
Goods and services	Companies related to senior management	0	21,176
Other services	Parent company	77,571	0
Total transactions with related parties		**3,582,765**	**2,407,454**

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Receivables

Type	2015	2014	Note
Receivables from parent company	91,432	43,648	9
Receivables from other companies in the same consolidation group (short-term)	2,344,836	1,238,045	9
Receivables from other companies in the same consolidation group (long-term)	460,638	698,563	10
Receivables from companies related to senior management	471	471	9
Total	**2,897,377**	**1,980,727**	

Liabilities

Type	2015	2014	Note
Liabilities to companies in the same consolidation group	94,229	644,466	14
Total	**94,229**	**644,466**	

Loans granted

Type	2015	2014	Note
Loans granted to companies in the same consolidation group	1,567,099	0	10
Repayments of loans granted to companies in the same consolidation group	-1,560,732	0	
Loan balance at the end of the period*	**0**	**0**	

* The loan had been issued in USD and has been repaid in full as at 31 December 2015. Loss from change in exchange rate amounted to EUR 6,367.

Payments made and benefits granted to the management

	2015	2014
Payments made and benefits granted to the management (gross)	202,651	252,246

Payments accounted but not yet paid as at 31 December 2015:
EUR 11,548 to the members of the Management Board;
EUR 8,675 to the members of the Supervisory Board.

Note 29. Events after the balance sheet date

Pursuant to the articles of association of AM and the Commercial Code, in February 2016 the company's management decided to pay, on the basis of retained earnings of 2014, to shareholders dividends in the amount of EUR 160,000.

Following the best business interests, in January and February 2016 the Management Board of AM, with the consent of the Supervisory Board, adopted resolutions to deem a total of EUR 2,500,000 as doubtful receivables. Circumstances related to the reasons for the receivables has been described in Note 9.

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4. Signature of the Management Board member to Annual Report 2015

MANAGEMENT BOARD:

"28 April 2016

Chairman of Management Board:

Aleksandr Ljubovski ______________________________
/digitally signed/

Member of Management Board:

Dmitri Lauš ______________________________
/digitally signed/

Member of Management Board:

Sergei Bogatenkov ______________________________
/digitally signed/

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5. Proposal for profit distribution

Retained earnings of previous periods	16,996,552
Net profit for 2015	924,409

Total retained earnings as at 31 December 2015: 17,920,961

The Management Board proposes to transfer EUR 924,409 to retained earnings.

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6. List of areas of activity

Estonian Classification of Economic Activities (EMTAK)	Area of activity	2015
66121	Security and commodity contracts brokerage	
85599	Other education not elsewhere classified	

Planned activities in the new accounting year:

66121	Security and commodity contracts brokerage
85599	Other education not elsewhere classified

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EY
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INDEPENDENT SWORN AUDITOR'S REPORT

To the Shareholder of AS Admiral Markets

We have audited the accompanying financial statements of AS Admiral Markets, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of the accounting policies used in preparing the financial statements and other explanatory information.

Management's Responsibilities for the financial statements

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

Sworn Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The number and content of these procedures depend on the sworn auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the sworn auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 qualified opinion.

Basis for Qualified Opinion

The balance sheet of the company contains a receivable in the net amount of thousand EUR 3,721 as at 31 December 2015. In the course of the audit we could not obtain sufficient evidence to assess the receipt of the aforementioned receivable within the next periods and whether the write-down of the receivable as at 31 December 2015 is sufficient to cover the potential credit risk as at the balance sheet date.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of AS Admiral Markets as at 31 December 2015 and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 29 April 2016

/digitally signed/
Olesia Abramova
Sworn Auditor number 561
Ernst & Young Baltic AS
Audit firm's activity licence number 58