UADBB AON BALTIC

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AND ANNUAL REPORT

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Register of Legal Entities

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of UADBB AON Baltic

Qualified Opinion

We have audited the financial statements of UADBB AON Baltic (the Company), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter discussed in section Basis for Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UADBB AON Baltic as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

The Company is operating in the Baltic countries as one legal entity registered in Lithuania and having branches in Latvia and Estonia. Revenue recognition policy is unified across countries, however, as further described in the note Accounting Policy (2.8) Revenue Recognition of the accompanying financial statements, due to lack of reliable information revenue in Lithuania is recognized on different principle. We have not been able to obtain sufficient audit evidence regarding the amount of Lithuania's revenue and deferred revenue for the years 2015 and 2016 to be recognised according to the unified accounting principles, because there was no sufficient information to evaluate the effect of the adjustment.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Company's Annual Report

Other information consists of the information included in the Company's 2016 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of Management and Those Charged with Governance 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 as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Asta Štreimikienė
Auditor's licence
No. 000382

20 April 2017

A SHORT OVERVIEW OF THE COMPANY

UADBB Aon Baltic (hereinafter, the Company) is a private limited liability insurance brokerage company registered in the Republic of Lithuania.

As at 31 December 2016 and 2015 the sole shareholder of the Company was AON Holdings B.V. (the Netherlands). The Company has neither acquired nor disposed own shares during the financial year. The Company Director – Žilvinas Petrauskas, Finance Manager – Rasa Norkūnė.

The Company operates in three Baltic States – Lithuania, Latvia and Estonia. The Company carries insurance brokerage operations through its branches in Latvia through UADBB Aon Baltic Latvijas filiale and in Estonia - UADBB Aon Baltic Eesti filiaal. The main office of the Company is in Vilnius, Lithuania. The Company also has regional offices in Kaunas, Klaipėda, Alytus, Šiauliai, Riga and Tallinn. According to a cooperation agreement with SEB Lizingas UAB, insurance brokerage services are provided for lease recipients in SEB Lizingas UAB office in Vilnius.

As at 31 December 2016 the number of employees in Lithuania (excluding employees on maternity leave) of the Company was 91 (90 as at 31 December 2015). As at 31 December 2016 the number of employees in Latvian and Estonian branches was 24 (as at 31 December 2015 – 26).

In 2016 the revenues of the Company amounted to EUR 8 585 969 (EUR 6 986 413 in 2015) and the net profit for the year 2016 amounted to EUR 1 711 664 (EUR 682 446 in 2015).

The Company is not engaged into research and development activities and does not use financial instruments.

AN OVERVIEW OF THE COMPANY'S ACTIVITY FOR THE YEAR

In 2016 the non-life insurance market, where the Company mainly operates, continued growing. In 2016 the growth of insurance market in Lithuania was mainly influenced by non-life insurance sector, in which the insurance premiums of transport insurance were increasing most significantly. The total growth of insurance market in Lithuania, where the Company mainly operates, was equal to 10 percent.

Insurance brokerage companies in Lithuania made around 28 percent of total insurance agreements. Independent brokers were more active in non-life insurance market.

According to preliminary data of the Bank of Lithuania, insurance brokerage companies earned 14.95 percent more revenues in 2016 than in 2015, which makes 41 million euros. Insurance supervisory authorities in Latvia and Estonia are not disclosing the results of insurance brokerage companies publicly.

Income from sales of the top five insurance brokerage companies accounted for approximately 45.3 percent of the total income of insurance brokerage companies. UADBB Aon Baltic continues to be the leader of insurance brokerage market according to sales income. Its income constituted around 21 percent of the total sales income of all insurance brokerage companies and the market share increased by 1.34 percentage points compared to 2015.

THE COMPANY'S OPERATION PLANS AND FORECASTS

In 2017 the growth of economy in the Baltic States is not forecasted to be very significant – GDP is expected to grow by about 2.5–3.5 percent, which also means a non significant increase in the demand for insurance services. According to the forecast of the Bank of Lithuania, in 2017 the overall market growth of the Lithuanian insurance market will be more steady and equal to 6-7 percent. Non-life insurance market will grow faster, whereas the life insurance market is expected to decrease. Similar tendencies are expected in the Latvian and Estonian insurance markets. Taking into account the new business model implementation and continuous development, UADBB Aon Baltic plans a growth of 5-9 percent.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no significant events after the end of the financial year.

Žilvinas Petrauskas
Company Director

UADBB Aon Baltic

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2016

(all amounts are in EUR unless otherwise stated)

	Note	2016	2015
REVENUES		**8 585 969**	**6 986 413**
Commissions received from insurance companies		7 878 917	6 174 770
Commissions received from clients		248 059	332 876
Other main activity revenues		458 993	478 767
COST OF SALES (-)	4	**(4 562 602)**	**(3 887 672)**
GROSS PROFIT		**4 023 367**	**3 098 741**
OPERATING EXPENSES (-)		**(2 156 168)**	**(2 343 974)**
Sales and distribution expenses (-)	13	(36 587)	(19 385)
Administrative expenses (-)	13	(2 119 581)	(2 324 589)
OTHER ACTIVITIES		**110 249**	**15 491**
Other Revenues	14	216 517	119 401
Other Expenses (-)	14	(106 268)	(103 910)
OPERATING PROFIT		**1 977 448**	**770 258**
FINANCIAL AND INVESTMENT ACTIVITIES		**6 326**	**28 818**
Financial revenues	5	6 384	32 092
Financial expenses (-)	5	(58)	(3 274)
PROFIT BEFORE TAX		**1 983 774**	**799 076**
Profit tax expense (-)	15	(272 110)	(116 630)
NET PROFIT FOR THE YEAR		**1 711 664**	**682 446**
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
NET TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 711 664**	**682 446**

Company Director	(signature)	2017.04.20 (date)	Žilvinas Petrauskas (Name, Surname)
Finance Manager	(signature)	2017.04.20 (date)	Rasa Norkūnė (Name, Surname)

31 December 2016
STATEMENT OF FINANCIAL POSITION
(all amounts are in EUR unless otherwise stated)

	Note	2016	2015
NON-CURRENT ASSETS		**934 230**	**949 944**
INTANGIBLE NON-CURRENT ASSETS	6	**584 818**	**581 244**
Goodwill		340 780	370 741
Software		160 321	96 879
Client lists		82 635	113 624
Other Intangible Assets		1 082	-
TANGIBLE NON-CURRENT ASSETS	7	**296 680**	**316 368**
Leasehold improvement		82 823	79 356
Furniture and Fittings		89 083	88 385
Vehicles		-	3 189
Office Equipment		4 135	4 856
Telecommunication, IT, and Computer Equipment		120 639	140 582
FINANCIAL ASSETS		**40 265**	**40 265**
Investment in Subsidiaries	1	32 556	32 556
Other Financial Assets		7 709	7 709
OTHER NON-CURRENT ASSETS		**12 467**	**12 067**
Deferred Income Tax Asset	15	12 467	12 067
CURRENT ASSETS		**6 404 020**	**5 827 034**
INVENTORY AND ADVANCE PAYEMENTS		**25 676**	**14 713**
Advance Payments		25 676	14 713
ACCOUNTS RECEIVABLE		**2 076 108**	**2 086 870**
Trade Receivables	8	45 254	99 349
Receivables from Insurance Companies	8	1 012 226	746 694
Receivables from Related Parties	8, 19	188 672	327 296
Other Receivables	8	829 956	913 531
OTHER CURRENT ASSETS		**194 015**	**136 286**
Deferred Expenses		119 734	63 601
Prepayment for Income Tax		61 315	59 719
Other Current Assets		12 966	12 966
CASH AND CASH EQUIVALENTS	9	**4 108 221**	**3 589 165**
Cash in separate Accounts in Bank		903 082	784 379
Cash in Other Credit Entities		3 205 139	2 804 786
TOTAL ASSETS		**7 338 250**	**6 776 978**

31 December 2016
STATEMENT OF FINANCIAL POSITION
(all amounts are in EUR unless otherwise stated)

	Note	2016	2015
EQUITY		4 473 146	3 761 285
CAPITAL		859 578	859 381
Share capital	1	848 418	848 221
Share Premium		11 160	11 160
RESERVES		89 050	89 050
Statutory Reserve	10	84 822	84 822
Foreign Currency Translation Reserve		4 228	4 228
RETAINED EARNINGS (LOSSES)		3 524 518	2 812 854
Retained Earnings - Current Year		1 711 664	682 446
Retained Earnings - Prior Years		1 812 854	2 130 408
LIABILITIES		2 865 104	3 015 693
NON-CURRENT LIABILITIES		9 823	7 768
Non-Current Provisions		9 823	7 768
Pensions Provisions	12, 16	9 823	7 768
CURRENT LIABILITIES		2 855 281	3 007 925
Accounts Payable		2 483 337	2 846 661
Liabilities towards insurance companies (collected premium payable to insurers only)	12	348 716	632 168
Trade Payables	12	170 482	202 016
Payables to Related Parties	12, 19	64 974	337 239
Employee Related Obligations	12	905 084	939 872
Accrued Expenses	12	112 527	121 567
Other Current Payables	12	881 554	613 799
Current Provisions		5 566	7 847
Pensions Provisions	12, 16	5 566	7 847
Other Current Liabilities		366 378	153 417
Received Advance Payments	12	15 372	59 553
Deferred Revenue	12	172 008	92 750
Corporate Income Tax	12	178 998	1 114
EQUITY AND LIABILTIES		7 338 250	6 776 978

Company Director	(signature)	2017.04.20 (date)	Žilvinas Petrauskas (name, surname)
Finance Manager	(signature)	2017.04.20 (date)	Rasa Norkūnė (name, surname)

UADBB Aon Baltic

STATEMENT OF CASH FLOWS FOR THE YEAR 2016
(all amounts are in EUR unless otherwise stated)

	Note	2016	2015
Cash flows from Operating Activities			
Profit before tax from continuing operations		**1 983 774**	**799 076**
Non-Cash adjustments:			
Depreciation and amortization	6, 7	176 883	149 209
Impairment of assets	6	29 961	-
Result of disposal of non-current assets	14	(13 930)	(2 750)
Written-off non-current assets	6, 7	5 275	2 731
Change in provisions		(226)	8 148
Results form foreign exchange rate differences	5	(1 866)	(25 579)
Interest revenue	5	(4 518)	(6 513)
Change in allowance for doubtful receivables	8, 13	16 243	(22 110)
Working capital adjustments:			
(Increase) decrease in advance payments and deferred expenses		(67 096)	20 193
(Increase) decrease in trade receivables		(207 525)	82 640
Decrease in receivables from related parties		138 624	247 518
Decrease in other receivables		62 866	38 805
(Decrease) in trade payables		(303 799)	(197 827)
Increase in received advance payments and deferred revenues		35 077	41 725
Changes in employee related obligations		(34 788)	38 453
(Decrease) in other payables		(20 987)	(453 272)
Profit tax (paid)		(97 706)	(117 731)
Net Cash flow from Operating Activities		**1 696 262**	**602 716**
Cash flows (to) Investing Activities			
Purchase of property, plant and equipment (except for investments)	7	(117 722)	(239 155)
Purchase of intangible assets (except for investments)	6	(91 337)	(702)
Proceeds from sale of property, plant and equipment (except for investments)		26 984	2 750
Interests received		4 869	6 301
Net Cash flow (to) Investing Activities		**(177 206)**	**(230 806)**
Cash flows (to) Financing Activities			
Cash flows from Shareholders		**(1 000 000)**	-
Payment of dividends to the shareholders of the Company		(1 000 000)	-
Net Cash flow from Financing Activities		**(1 000 000)**	-
Net increase in cash and cash equivalents		**519 056**	**371 910**
Net unrealized foreign exchange difference on cash and cash equivalents		-	20 524
Cash and cash equivalents at the beginning of the period		**3 589 165**	**2 713 911**
Cash and cash equivalents at the end of the period		**4 108 221**	**3 589 165**

Company Director	(signature)	2017.04.20 (date)	Žilvinas Petrauskas (name, surname)
Finance Manager	(signature)	2017.04.20 (date)	Rasa Norkūnė (name, surname)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR 2016
(all amounts are in EUR unless otherwise stated)

	Share Capital	Additional Paid in Capital	Statutory Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
Opening Balance - Prior Year	**848 221**	**11 160**	**84 822**	**4 228**	**2 130 408**	**3 078 839**
Net profit for the period	-	-	-	-	682 446	682 446
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	**682 446**	**682 446**
Closing Balance - Prior Year	**848 221**	**11 160**	**84 822**	**4 228**	**2 812 854**	**3 761 285**
Net profit for the period	-	-	-	-	1 711 664	1 711 664
Other comprehensive income	-	-	-	-		
Total Comprehensive Income	-	-	-	-	**1 711 664**	**1 711 664**
Effect of share capital conversion to euro	197	-	-	-	-	197
Dividends	-	-	-	-	(1 000 000)	(1 000 000)
Closing Balance - Current Year	**848 418**	**11 160**	**84 822**	**4 228**	**3 524 518**	**4 473 146**

Company Director	(signature)	2017.04.20 (date)	Žilvinas Petrauskas (name, surname)
Finance Manager	(signature)	2017.04.20 (date)	Rasa Norkūnė (name, surname)

1 NOTE: GENERAL INFORMATION OF THE COMPANY

UADBB Aon Baltic (hereinafter-the Company) is registered in the Register of Legal Persons of the Republic of Lithuania as a private limited life insurance broker company. Current registered office is at A. Goštauto str. 40B, Vilnius, Lithuania.

The Company also carries insurance brokerage operations through its branches in Latvia UADBB AON Baltic Latvijas filiale and in Estonia - UADBB AON Baltic Eesti filiaal.

As at 31 December 2016 and 31 December 2015 the Company owned 100% of ordinary intangible shares of subsidiary "Riskikonsultatsioonide OÜ" in Estonia in the amount of EUR 2 556 and 100% of ordinary intangible shares of subsidiary Aon Consulting" SIA in the amount of EUR 30 000.

The Company does not prepare consolidated financial statements as financial results of the Company "Riskikonsultatsioonide OÜ" and "Aon Consulting" SIA are not material to the Company.

As at 31 Decmber 2016 and 31 December 2015 the sole shareholder of the Company was AON Holdings B.V. (the Netherlands). The ultimate shareholder of the Company is Aon Plc. (UK).

All shares of the Company, with par value of EUR 9,27 each, are ordinary, registered and intangible. The Company's share capital consist of 91 523 shares with a value of EUR 848 221 as at 31 December 2016 and 31 December 2015.

As at 31 December 2016 and 31 December 2015 all shares were fully paid and the Company did not have acquired own shares.

As at 31 December 2016 the Company had 91 employees In Lithuania (excluding employees which are on maternity leave) (as at 31 December 2015 - 90). As at 31 December 2016 there were 24 employees in the branches of Latvia and Estonia (as at 31 December 2015 - 26).

2 NOTE: ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter, EU).

Basis for preparing financial statements

The financial statements have been prepared using historical cost basis.
The financial statements have been prepared under assumption that the Company will continue its activity in the future.
The Company's financial year is consistent with the calendar year.

Currency of financial statements

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR).
1 January 2015 was the day of Euro adoption in Lithuania, thus on this day the functional currency of the Company was changed. According to irrevocable decision of the European Council the Litas to Euro conversion rate was 3.45280 LTL for 1 EUR. Accordingly comparative figures were converted using the mentioned conversion rate.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting principles of the Company did not chagne during financial year, except the following new and/or amended IFRSs have been adopted by the Company as of 1 January 2016 :

Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. The implementation of these amendments did not had any impact on the financial statements of the Company.

Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization
The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of these amendments did not had any impact on the financial position or performance of the Company, because the company do not use revenue-based depreciation or amortization methods.

Amendments to IAS 19 Employee Benefits
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments do not had any impact on the financial statements of the company, because employees of the Company do not make any contributions.

As at 31 December 2013 the IASB has issued the Annual Improvements to IFRSs 2010 - 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Company's financial statements:

- 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.

2 NOTE: ACCOUNTING PRINCIPLES (cont'd)

The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Company's financial statements:

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

Standards issued but not yet effective
The Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018)
IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)
IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 15: Revenue from Contracts with Customers (Clarifications) (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).
The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Company has not yet evaluated the impact of the implementation of these clarifications.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)
IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)
The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Company but may result in changes in disclosures.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)
The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The implementation of these amendments will not have any impact on the financial position or performance of the Company, because the Company does not have any debt instruments measured at fair value.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)
The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Company has not yet evaluated the impact of the implementation of this interpretation.

The IASB has issued the Annual Improvements to IFRSs 2014 - 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Company has not yet evaluated the impact of implementation of these improvments.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

2 NOTE: ACCOUNTING PRINCIPLES (cont'd)

Accounting Policies - the financial statements of the Company were prepared using the accounting policies stated below:

(2.1) Intangible assets
Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Amortisation expenses are accounted under operating expenses account in the statement of comprehensive income.

The Company has identified these classes of intangible asset and applies the following useful terms:
Goodwill - indefinite useful life and tested annually for impairment
Standard software - 5 years*.
Non-standard software - 5 years*.
List of the clients - 4-7 years.
Other intangible assets - 4 years.
* - Shorter useful life may be set for these assets, considering individual contractual terms and conditions, possibility to protect the assets acquired, the Company's plans to use and maintain the assets.

Expenses, incurred to maintain future gain from current IT systems, are recognised as expenses in the period when works of maintaining and supervision are performed.

(2.2) Property, plant and equipment
Property, plant and equipment are stated at acquisition (production) cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the best estimate of their useful lives. Depreciation is calculated according to the straight line method using the established useful lives of property, plant and equipment. Depreciation is started to be calculated from the next month after the asset is brought into operation. In the statement of comprehensive income depreciation of property, plant and equipment is disclosed in the cost of sales or operating costs depending on the usage of the asset.

Expenditures incurred after the property, plant and equipment have been put into exploitation, such as repair and maintenance costs are normally included to the statement of comprehensive income in the period the expenses are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and / or that they have resulted in an increase of the useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment.

The Company has identified these classes of property, plant and equipment and applies the following depreciation term:

	Minimal value, EUR	Depreciation term
Furniture and Fittings	175	10
Vehicles	2.900	4
Improvement of rented asset	235	<10*
Office equipment	235	4
Telecommunication equipment	120	4
IT equipment	120	5
Computers	120	4

* - When the period of rent is lower than 10 years, the depreciation period is equal to the period of the rent.

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property and equipment.

When the asset is sold or written off, its acquisitions value and accrued depreciation is eliminated, and sale result is accounted in Comprehensive income statement. Sale result from disposal of property, plant and equipment is calculated as difference between income received and residual value of the asset including all expenses related to sale transaction.

Leasehold improvement costs are recognized as non-current assets in the period in which they are incurred. Depreciation is calculated on a straight line method, according to an approved useful life of non-current asset and the remaining lease term of the contract, depending on which one is shorter. Depreciation is charged since next month after the asset is entered into explotation.

(2.3) Financial assets and liability
(2.3.1) Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 Financial instruments: Recognition and Measurement are classified as financial assets at fair value through statement of comprehensive income, held-to-maturity investments, loans granted and receivables and financial assets available-for-sale. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at acquisition costs equal to fair value plus, in the case of investment not at fair value through statement of comprehensive income, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, loans granted and trade receivables, quoted and unquoted financial instruments and derivative financial instruments.

2 NOTE: ACCOUNTING PRINCIPLES (cont'd)

(2.3) Financial assets and liability (cont'd)

(2.3.1) Financial assets (cont'd)

Subsequent measurement

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in operating expenses.

If it is probable that the Company may not receive loans and receivables, allowance is accounted, which is calculated as difference between balance value and current value of future cash flows which is discounted using calculated interest rate. This calculation is done based on criteria set by the Management for accounts which will not be covered on set term and probability of recoverability is assessed. Decision for allowance is done taking into account significant financial problems of the client, probability that the client will bankrupt or reorganisation will be performed, also overdue of the payments. Current valuations made for accounts receivable may significantly change in case situation in the market or all economy change. Level of recoverability of accounts receivable also depends on success factors and actions that are taken in order to receive debts which are already overdue.

(2.3.2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 Financial instruments: Recognition and Measurement are classified as financial liabilities at fair value through statement of comprehensive income, borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

Loans and borrowings: After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

(2.4) Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments.

(2.5) Financial and operating leases

Operating lease

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

(2.6) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company re-considers provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(2.7) Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian, Latvian and Estonia tax legislation, taking into accounts the taxable result stated in income statement in each country.

In 2016 the income tax rate effective in Lithuania was 15 % (15 % in 2015). In 2016 income tax rate of 15% is applied in Latvia (2015 - 15%) from taxable income calculated according to accrual principle. In 2016 in Estonia profit tax rate applied was 20/80 % (in 2015 - 20/80 %) and is calculated only from income of profit distribution and all types of asset transfer to shareholders and related parties.

According to the Laws on Taxes of the Republic of Lithuania, starting from 1 January 2008 the tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Starting from 1 January 2014 tax losses carried forward may not exceed 70% of the current year taxable income. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

According to the Laws on Taxes of the Republic of Latvia, starting from 1 January 2008 the tax losses can be carried forward for indefinite period.

2 NOTE: ACCOUNTING PRINCIPLES (cont'd)

(2.7) Income tax (cont'd)
Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes with the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be reversed based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

(2.8) Revenue recognition
Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

The Company recognise commission income for intermediation from total policy premium (insurance premium) from the date which is latest from:
a) date of issuing first premium invoice to the client;
b) effective date of the policy;
c) in case payments are done straight to insurance company - the date of confirmation of payment of first premium according to the payment schedule.

In Lithuania historically commission income was recognised as commission fee agreed with insurance company which is calculated from premiums received from the clients, therefore in 2016 and 2015 and previous years due to lack of information the Company could not calculate income from written premium, due to this commission income from premium received are recognised on the amount confirmed by insurance. Income recognition in Latvia and Estonia is the same as described in the previous paragraph.

In Aon group commission income received from third parties is fully recognised from total premium stated in the policy, therefore debit or credit invoices received (distributing commission income within the Aon group) is recognised as income/expenses in full amount without any accruals or deferrals.

Interests income is recognised based on accrual principle, unless there are doubts that interests payments will not be received.

(2.9) Expenses recognition
Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

(2.10) Foreign currencies
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the statement of comprehensive income. Such balances are translated at period-end exchange rates.

The Company has set such functional currencies to each subsidiary: Latvia - EUR, Estonia - EUR. The functional currencies of subsidiaries are the same as Functional currency of the Compane, therefore financial data is not translated.

Due to rounding, some digits may differ from one table to another, however, these rounding errors do not have a significant impact on the presentation of financial statements.

(2.11) Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

(2.12) Subsequent events
Subsequent events providing additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

(2.13) Management judgement in preparation of financial statements
The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, amortization, non-current employee benefits, and valuation allowance of goodwill, customer lists, accounts receivables and valuation of deferred tax. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2 NOTE: ACCOUNTING PRINCIPLES (cont'd)

(2.13) Management judgement in preparation of financial statements (cont'd)

Decisions that have the most significant impact on the amounts recognised in the financial statements and accounting estimates that may require significant adjustments of the carrying value of assets and liabilities in the next financial year are the following:

Change in accounting estimates - goodwill impairment test

The Company's management annually tests goodwill for impairment indicators. The test involves economic modelling of future discounted cash flows taking into account the Company strategy, country economical situation, competitive forces, cost of capital and other important modelling factors when calculating discounted future benefits. If the determined value-in-use based on the future discounted economic benefits is lower then the net book value, impairment is recognized.

Change in accounting estimates - non-current assets depreciation rates

The management of the Company revises depreciation rates of individual asset units annually, depending on the useful lives and the accounting policies of the Company group. Change in the net book value of assets due to changed rates is the best reflection of the estimates of the Company management related to use of equipment and is accounted for as operating result at the date of the change.

Change in accounting estimates - allowance of doubtful receivables

The management of the Company performs a regular review of the status of receivables with respect to concrete circumstances and overdue settlement periods. In accordance with the policy of provisions for bad loans, the Company forms a provision for bad loans to reflect the estimates of the status of receivables. The change in estimates is recorded as operating result at the date of estimate establishment.

(2.14) Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain IFRS standards specifically require such set-off.

Where it was necessary, comparative figures were corrected so that they present changes of current year.

(2.15) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Company's management at each reporting date. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

Fair value is defined as the amount at which financial instruments could be exchanged between non related parties on market conditions, except forced sale or liquidation. Fair value is based on quoted market prices, discounted cash flow models or options pricing models, depending on the circumstances.

When evaluating financial assets and liabilities at fair value, the following assumptions are applicable:

As at 2016 and 2015 December 31 the carrying value of short-term trade receivables, receivables from related parties and other receivables, intangible and tangible fixed assets, financial assets and other fixed assets, current debt and other debts approximates their fair value, which was determined on the basis of third level in fair value hierarchy.

3 NOTE: FINANCIAL RISK MANAGEMENT

The Company while performing its main activity faces various financial risks. Management of the risk is performed by the management of the Company.

Credit risk

Customer credit risk is managed by each geographical area subject to the Company's established policy, procedures and control relating to customer credit risk management. Company distinguishes receivables between (a) the receivables where Company bears credit risk and (b) receivables where the credit risk is faced by the Insurers. Customer credit risk management depends on the type of the receivables:

(a) the Company bears credit risk on commissions receivable from insurance companies. Insurance companies are licensed companies that are being supervised on a regular basis by the central bank of the Republic of Lithuania and have to maintain sufficient amount of capital in order to meet all outstanding obligations. Since the Company collects commissions only from licensed insurance companies, the management has deemed this risk as low and considers current monitoring of central bank of the Republic of Lithuania as a sufficient risk management tool. Consequently, the Company has not established credit limits or insured these receivables.

(b) the Company under normal circumstances does not bear credit risk for insurance premiums collectable from clients and insurance indemnities payables to clients. In the event of non-collection of client premiums the Insurer waves collection rights against the Company according to the contractual agreements. In the event of non-collection of client indemnities from insurers, the clients can only legally pursue the insurers. Since the Company does not bear this risk, no credit limits are established or receivables insured. In exceptional cases when the Company incurs premium collection credit risk, the Company manages this risk by limiting the amounts of allowed turnovers and regular monitoring of premium collection.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

There is no significant credit risk concentration in the Company, as main trade receivables are from regulated financial institutions - insurance companies, spread between three geographies (Lithuania, Latvia, Estonia). The Company collaborates with numerous insurance companies, therefore does not depend on liquidity of a sole partner.

Interest risk

As at 31 December 2016 and 31 December 2015 the Company did not have any financial instruments the value of which would be directly influenced by changing interest rates; therefore, the Company is not directly exposed to interest risk.

Foreign currency risk

The Company's main activity inflows and outflows are in EUR and other foreign currencies (mainly USD). Currency risk is minimal due to the reason that revenue and expenses are in the same currency.

Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents. Customers' premiums and indemnities are kept separately from the Company's working funds in specific bank accounts in order to ensure clear cash flows forecasting of the Company. The Company also accumulates surplus cash, which is held at Aon Group cumulative reserve (BMG cash pool). If needed, these surplus cash can be transferred back to the Company in a short term.

Current and Acid ratio of the Company were equal to 2.24 as at 31 December 2016 (as at 31 December 2015 - 1.94).

Capital management

The Company's minimum equity is prescribed by the Bank of the Republic of Lithuania. The Company's equity substantially exceeds the prescribed minimum equity for insurance brokers, which is determined as the higher of (a) 4% from collected client insurance premiums through dedicated bank accounts, or (b) 15 000 EUR. The table below compares the Company's equity with minimum equity threshold.

	2016	2015
Present equity	**4 457 349**	**3 761 285**
payable to insurers:	**20 267 815**	**17 376 773**
1st quarter	5 047 686	4 373 855
2nd quarter	4 358 661	4 167 462
3rd quarter	5 370 875	4 231 993
4th quarter	5 490 593	4 603 463
Mandatory minimum equity: max {(Received insurance premiums)x0,04; 15 000	**810 713**	**695 071**

4 NOTE: COST OF SALES

	2016	2015
Employee related expenses	3 157 648	2 894 369
Non-competition agreements with employees	-	8 250
Depreciation	1 667	5 940
Commissions to agents	1 260 279	849 993
Rent of Company vehicles	143 008	129 120
Total cost of sales	**4 562 602**	**3 887 672**

5 NOTE: RESULTS OF FINANCIAL AND INVESTMENT ACTIVITIES

	2016	2015
Foreign currency exchange gain	1 866	25 579
Bank interest	4 518	6 513
Income from financial and investment activities	**6 384**	**32 092**
Overdue fees and fines for overdue of payments	58	3 274
Financial and investment activity expenses	**58**	**3 274**

6 NOTE: NON-CURRENT INTANGIBLE ASSETS

	Goodwill	Standard software	Non-standard software	Client lists	Other intangible assets	Total
Acquisition costs of intangible asset						
As at 31 December 2014	370 741	219 599	114 507	207 222	2 317	914 386
Acquisitions of assets	-	702		-	-	702
Disposals and write-offs (-)	-	(16 446)	-	-	-	(16 446)
As at 31 December 2015	**370 741**	**203 855**	**114 507**	**207 222**	**2 317**	**898 642**
Amortisation						
As at 31 December 2014	-	208 847	-	62 610	2 317	273 774
Amortisation during the year	-	6 007	23 075	30 988	-	60 070
Amortisation of disposals and write-offs (-)	-	(16 446)	-	-	-	(16 446)
As at 31 December 2015	-	**198 408**	**23 075**	**93 598**	**2 317**	**317 398**
Acquisition costs of non-current intangible asset						
As at 31 December 2015	370 741	203 855	114 507	207 222	2 317	898 642
Acquisitions of assets	-	-	90 157	-	1 180	91 337
Disposals and write-offs (-)	-	(23 319)	-	-	-	(23 319)
As at 31 December 2016	**370 741**	**180 536**	**204 664**	**207 222**	**3 497**	**966 660**
Amortisation						
As at 31 December 2015	-	198 408	23 075	93 598	2 317	317 398
Amortisation during the year	-	2 882	23 075	30 989	98	57 044
Amortisation of disposals and write-offs (-)	-	(22 561)	-	-	-	(22 561)
As at 31 December 2016	-	**178 729**	**46 150**	**124 587**	**2 415**	**351 881**
Impairment						
As at 31 December 2015	-	-	-	-	-	-
Impairment charges during the year	29 961	-	-	-	-	29 961
As at 31 December 2016	**29 961**	-	-	-	-	**29 961**
Net book value as at 31 December 2015	**370 741**	**5 447**	**91 432**	**113 624**	-	**581 244**
Net book value as at 31 December 2016	**340 780**	**1 807**	**158 514**	**82 635**	**1 082**	**584 818**

Amortization expenses of property, plant and equipment are included in operating or other operating expenses in the statement of comprehensive income depending on the use of the asset.

As at 31 December 2016 recoverable value of goodwill, related to activity in Lithuania (EUR 200 thousand) and activity in Latvia (EUR 171 thousand), and client lists have been determined based on future cash flow projections, evaluated in accordance with five-year financial projections for goodwill and five-year projections for list of the clients. The main factors in future cash flows were Company's strategy, profit margin and forecasted industry's situation. Estimated cash flows were discounted using 15.3 percent discount rate (pre-tax) and cash flows for goodwill have been estimated using constant 0-1 % growth rate based on the most likely management's estimate which takes into account respective industry's situation (as at 31 December 2015 14 % for goodwill and 1 % accordingly).

According to the estimates mentioned above, as at 31 December 2016 the Company registered impairment of goodwill, related to activity in Latvia, equal to EUR 29 961. The impairment expenses are included in the operating expenses in the statement of comprehensive income (Note 13).

As at 31 December 2016 and 2015 recoverable value of goodwill and list of the clients mainly depends on discount rate used in discounted cash flows model, estimated future cash flows, growth and profit margin estimates (%). After the sensitivity test of recoverable value by changing discount rate the risk of significant impairment of goodwill and list of the clients has not been identified, except for impairment of goodwill, related to activity of branch in Latvia. If discount rate increased by one percentage point, the impairment of goodwill in Latvian branch would increase by EUR 12 thousand.

The Company's management believes that there are no reasonably expected changes in the assumptions that would indicate that the carrying value of goodwill and list of the clients will exceed their recoverable value.

6 NOTE: NON-CURRENT INTANGIBLE ASSETS (cont'd)

Fully amortised non-current intangible assets which are still in use

Acquisition cost of fully amortised non-current intangible assets which are still in use according to classes:

	2016	2015
Standard software	167 247	178 622
Client lists	3 050	3 050
Other non-current asset	2 317	2 317
Total acquisition cost:	172 614	183 989

7 NOTE: PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Leasohold Improvements	Vehicles	Office equipment	Telecommunication equipment	IT equipment	Computers	Total
Acquisition cost								
As at 31 December 2014	144 998	-	127 900	9 481	48 044	85 441	226 990	642 854
Acquisition of assets	69 326	97 964	-	4 755	9 736	6 167	51 208	239 156
Disposals and write-offs (-)	(33 033)	-	(23 170)	(1 932)	(1 398)	(1 895)	(38 103)	(99 531)
As at 31 December 2015	**181 291**	**97 964**	**104 730**	**12 304**	**56 382**	**89 713**	**240 095**	**782 479**
Depreciation								
As at 31 December 2014	117 249	-	118 770	8 256	25 725	51 589	152 182	473 771
Amortisation during the year	6 746	18 608	5 941	1 124	10 556	8 269	37 896	89 139
Amortisation of disposals and write-offs (-)	(31 089)	-	(23 170)	(1 932)	(1 287)	(1 895)	(37 427)	(96 800)
As at 31 December 2015	**92 906**	**18 608**	**101 541**	**7 448**	**34 994**	**57 963**	**152 651**	**466 111**
Acquisition cost								
As at 31 December 2015	181 291	97 964	104 730	12 304	56 382	89 713	240 095	782 479
Acquisition of assets	13 623	43 739	10 998	1 024	5 994	742	41 602	117 722
Disposals and write-offs (-)	(5 999)	-	(86 159)	(713)	(17 742)	(4 074)	(61 159)	(175 846)
As at 31 December 2016	**188 915**	**141 703**	**29 569**	**12 615**	**44 634**	**86 381**	**220 538**	**724 355**
Depreciation								
As at 31 December 2015	92 906	18 608	101 541	7 448	34 994	57 963	152 651	466 111
Amortisation during the year	12 266	40 272	1 667	1 745	10 747	10 646	42 496	119 839
Amortisation of disposals and write-offs (-)	(5 340)	-	(73 639)	(713)	(14 943)	(4 051)	(59 589)	(158 275)
As at 31 December 2016	**99 832**	**58 880**	**29 569**	**8 480**	**30 798**	**64 558**	**135 558**	**427 675**
Net book value as at 31 December 2015	**88 385**	**79 356**	**3 189**	**4 856**	**21 388**	**31 750**	**87 444**	**316 368**
Net book value as at 31 December 2016	**89 083**	**82 823**	**-**	**4 135**	**13 836**	**21 823**	**84 980**	**296 680**

Depreciation expenses of property, plant and equipment are included in cost of sales, operating or other operating expenses in the statement of comprehensive income.

Fully depreciated property, plant and equipment which is still in use

Acquisition cost of fully amortised property, plant and equipment which is still in use according to class of assets:

	2016	2015
Furniture and equipment	62 944	66 141
Vehicles	29 569	80 969
Office equipment	5 540	5 707
Telecommunication equipment	2 870	10 792
IT equipment	30 593	38 614
Computers	53 572	75 318
Total acquisition cost:	185 088	277 541

8 NOTE: CURRENT ACCOUNTS RECEIVABLE

	2016	2015
Commissions and services fee receivables	45 254	99 349
Trade receivables	**45 254**	**99 349**
Commissions and services fee receivables	1 016 636	755 016
Allowance for commissions and services fee receivables	(4 410)	(8 322)
Receivables from insurance companies	**1 012 226**	**746 694**
Commissions and services fee receivables	125 226	146 498
Clients premium and claim payments receivables	47 636	158 248
Other accounts receivables	7 990	20 560
Accrued commissions and services fee	7 820	1 990
Accounts receivables from related parties	**188 672**	**327 296**
Receivables from employees	9 413	465
Clients premium and damage payments receivables	154 225	390 384
Allowance for clients premiums and claim payments receivables	(20 524)	(369)
Accrued commissions and services fee	271 888	398 232
Accruals of clients premiums and claim payments receivables	395 467	122 450
Other accrued revenues	-	351
Other receivables	19 487	2 017
Total other receivables	**829 956**	**913 531**
Total current receivables	**2 076 108**	**2 086 870**

Change in impairment of doubtful receivables in 2016 and 2015 is included into operating expenses (Note 13).

	Amounts not due	Overdue amounts for which bad debt allowance was not accounted					
		Less than 30 days	30 - 60 days	60 - 180 days	180 - 360 days	more than 360 days	Total
Trade receivables							
As at 31 December 2015	95 380	-	-	-	2 388	1 581	99 349
As at 31 December 2016	45 254	-	-	-	-	-	45 254
Receivables from insurance companies							
As at 31 December 2015	-	738 098	906	4 600	124	2 966	746 694
As at 31 December 2016	953 381	47 887	5 080	6 870	1 570	(2 562)	1 012 226
Accounts receivables from related parties							
As at 31 December 2015	75 327	59 321	5 790	14 538	18 159	154 161	327 296
As at 31 December 2016	79 640	40 010	30 890	17 937	8 410	11 785	188 672
Other receivables							
As at 31 December 2015	681 200	29 130	4 852	62 433	8 654	127 261	913 531
As at 31 December 2016	686 086	117 237	255	15 087	2 905	8 386	829 956

9 NOTE: CASH AND CASH EQUIVALENTS

The Company classifies cash and cash equivalents into its own funds and Clients' funds. Own funds are the Company's funds that have been earned during the normal course of business and the Company can freely manage and use it for own needs. Clients' funds is the property of the clients according to Law on Insurance of the Republic of Lithuania, the Company handles the funds in dedicated special bank accounts. The Company processes Clients' funds as a trustee in order to transfer the funds to the final recipient of the funds; therefore, the Company cannot use it for own needs or working capital requirements. In the event of the Company's bankruptcy, these funds would be transferred to the final recipient and would not be processed in the liquidation process.

	2016	2015
Cash at bank	300 358	161 759
Cash at the group's savings account (BMG)	2 904 781	2 643 027
Total operating cash	**3 205 139**	**2 804 786**
Cash at fiduciary bank account	833 625	715 099
Short-term bank deposits	69 457	69 280
Total fiduciary cash	**903 082**	**784 379**
Total cash and cash equivalents	**4 108 221**	**3 589 165**

As at 31 December 2016 and 2015 the Company had no own cash and cash equivalents with restricted use.

10 NOTE: RESERVES

Statutory (legal) reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation and is formed from the Company's net profit. Annual transfers of not less than 5 % of net profit of the Company calculated according to the Lithuanian Company's law, are compulsory until the reserve reaches 10 % of the share capital. The legal reserve cannot be distributed as dividends but can be used to cover future losses. The part of legal reserve that is exceeding 10% of the share capital can be distributed when distributing profit for the next financial year.

In 2015 the statutory reserve was fully formed. In 31 December 2016 the statutory reserve was not fully formed. The Company is planning to form it in 2017.

11 NOTE: DIVIDENDS DISTRIBUTION PROJECT

Retained earnings (deficit) of prior periods as at 31 December 2016	1 812 854
Net profit (loss) for the financial year	1 711 664
Distributable result - profit (loss) as at 31 December 2016	3 524 518
Profit distribution:	(1 500 020)
- transfer to statutory reserve	(20)
- dividends	(1 500 000)
Retained earnings - profit (loss) as at 31 December 2016	**2 024 498**

12 NOTE: COMPANY LIABILITIES BY GROUP AND MATURITY

The table below summarises the Company's financial obligations repayment terms as at 31 December 2016 and 2015 according to non-discounted contractual payments:

	On Demand	Up to 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Liabilities towards insurance companies (collected premium payable to insurers only)	19 442	142 230	187 044	-	-	348 716
Trade Payables	68 426	101 025	1 031	-	-	170 482
Payables to Related Parties	25 923	39 051	-	-	-	64 974
Employee Related Liabilities	779 507	94 300	31 277	-	-	905 084
Accrued Expenses	85 553	5 091	21 883	-	-	112 527
Other Payables	15 652	76 504	789 398	-	-	881 554
Accounts Payables	**994 503**	**458 201**	**1 030 633**	**-**	**-**	**2 483 337**
Pensions and Similar Liabilities Provisions	-	-	5 566	9 823	-	15 389
Provisions	**-**	**-**	**5 566**	**9 823**	**-**	**15 389**
Advances Received	2 011	542	12 819	-	-	15 372
Deferred Revenue	108 869	-	63 139	-	-	172 008
Income Tax Liability	178 896	102	-	-	-	178 998
Other Liabilities	**289 776**	**644**	**75 958**	**-**	**-**	**366 378**
Closing balance as at 31 December 2016	**1 284 279**	**458 845**	**1 112 157**	**9 823**	**-**	**2 865 104**

	On Demand	Up to 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	Total
Liabilities towards insurance companies (collected premium payable to insurers only)	150 316	116 548	365 304	-	-	632 168
Trade Payables	109 571	47 168	45 277	-	-	202 016
Payables to Related Parties	39 931	42 305	255 003	-	-	337 239
Employee Related Liabilities	843 626	96 246	-	-	-	939 872
Accrued Expenses	117 567	-	4 000	-	-	121 567
Other Payables	194 631	66 234	352 934	-	-	613 799
Accounts Payable	**1 455 642**	**368 501**	**1 022 518**	**-**	**-**	**2 846 661**
Pensions and Similar Liabilities Provisions	-	-	7 847	7 768	-	15 615
Provisions	**-**	**-**	**7 847**	**7 768**	**-**	**15 615**
Advances Received	-	-	59 553	-	-	59 553
Deferred Revenue	-	-	92 750	-	-	92 750
Income Tax Liability	1 114	-	-	-	-	1 114
Other Liabilities	**1 114**	**-**	**152 303**	**-**	**-**	**153 417**
Closing balance as at 31 December 2015	**1 456 756**	**368 501**	**1 182 668**	**7 768**	**-**	**3 015 693**

13 NOTE: OPERATING EXPENSES

	2016	2015
Donations and charity	23 580	10 197
Promotional expenses	13 007	8 688
Marketing expenses	-	500
Sales and distribution expenses	**36 587**	**19 385**
Salaries and social security	610 048	657 779
Rent	205 231	189 572
Taxes of corporation and infrastructure	287 236	490 394
Depreciation, amortisation	174 724	142 804
Other employees related expenses	103 709	79 458
IT systems maintenance expenses	122 918	91 277
Rental and utilities expenses	86 741	84 785
Representation expenses	89 026	88 374
Household expenses	42 882	43 519
Consultation and legal services	68 321	40 969
Communication expenses	63 190	62 302
Business trips expenses	50 560	78 739
Expenses of non-deductable VAT	50 390	103 836
Expenses of stationary and office equipment	35 251	39 181
Goodwill impairment	29 961	-
Audit services	21 882	22 943
Provision for accounts receivable	16 243	(22 110)
Insurance	16 057	12 800
Write-offs of non-current asset	5 275	797
Taxes (except for income tax)	1 499	1 971
Other	38 437	115 199
Administrative expenses	**2 119 581**	**2 324 589**
Total operating expenses	**2 156 168**	**2 343 974**

14 NOTE: OTHER ACTIVITIES

	2016	2015
Other revenues from third parties	79 241	5 218
Other revenues from related parties	123 346	111 433
Gain from sale of non-current assets	13 930	2 750
Other income	**216 517**	**119 401**
Cost of servise to related parties (depreciation)	-	466
Cost of servise to related parties (other)	106 238	103 444
Penalties for breach of contracts	30	-
Other expenses	**106 268**	**103 910**
Result from other activities	**110 249**	**15 491**

15 NOTE: INCOME TAX AND DEFERRED INCOME TAX

Income Tax

	2016	2015
Income Tax for the Reporting Period	272 510	110 639
Deferred Income Tax expenses (income)	(400)	5 991
Total income tax expenses	**272 110**	**116 630**

The amount of income tax expenses may be reconciled with income tax expenses calculated using the statutory income tax rate for the Company's income before taxation:

	2016	2015
Profit before tax	1 983 774	799 076
Effective income tax rate	15%	15%
Income tax expenses from accounted profits before taxation	**297 566**	**119 861**
Permanent differences	(25 456)	(3 231)
Income Tax for the Reporting Period	**272 110**	**116 630**

15 NOTE: INCOME TAX AND DEFERRED INCOME TAX (cont'd)

Deferred income tax

Deferred income tax in Lithuania and Latvia in 2016 and 2015 is calculated for temporary differences applying 15 % tax rate. In Estonia no deferred tax is calculated as income tax point is on distribution of profit, not based on the accrual principle.

Deferred income tax calculation is stated in the table below:

	Temporary differences		Deferred tax	
	2016	2015	2016	2015
Differences of depreciation terms	(11 487)	(12 879)	(1 723)	(1 932)
Provision for bad debts	19 127	5 760	2 869	864
Vacation reserve	105 204	143 406	15 781	21 511
Other provisions	(29 730)	(55 837)	(4 460)	(8 376)
	83 114	**80 450**	**12 467**	**12 067**

Deferred income tax movement is stated in the table below

	2016	2015
Deferred income tax assets at the beginning of reporting period, net	12 067	18 058
Change of deferred income tax	400	(5 991)
Deferred income tax assets at the end of reporting period, net	**12 467**	**12 067**

16 PASTABA: NON-CURRENT EMPLOYEE BENEFITS

Non-current employee benefits are pension and anniversary benefits calculated according to the provisions of the Labour Code and the collective agreement valid at the Company. In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee retiring from the company at pension age is subjected to a single benefit of 2 months salaries.

	2016	2015
Non-current portion of retirement benefits	9 823	7 768
Current portion of retirement benefits	5 566	7 847
Total	**15 389**	**15 615**
Key assumptions		
Discount rate	3,27%	3,27%
Planned annual salary increase	2,00%	2,00%

17 NOTE: RIGHTS AND LIABILITIES OF THE COMPANY NOT DISCLOSED IN THE BALANCE

Off-balance lease payments for vehicles	64 168
Off-balance lease payments for rent	62 366
Total	126 534

Average term of Company's irrevocable commitments is 1 year.

18 NOTE: CONTINGENT LIABILITIES

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of books and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect. Therefore as at 31 December 2016 and 2015 the Company did not account any contingent liabilities.

The Company has signed non-competition agreements with the employees, according to which the Company can decide to restrain employees of the Company (in one year after he left the job) to chose a certain job or activity and has to pay compensations for it. Actual expenses related to the utilised non-competition agreements accounted for in 2015 amounted to EUR 8 250. There were no such expenses in 2016.

19 NOTE: RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or make significant influence over the other party in making financial and operating decisions. In 2016 and 2015 the Company's related parties and transactions with them were as follows (all related parties listed in the table are under common control):

	2016				2015			
	Sales (reversals)	Purchases (reversals)	Accounts receivable from related parties	Accounts payable to related parties	Sales (reversals)	Purchases (reversals)	Accounts receivable from related parties	Accounts payable to related parties
Aon Jauch & Hübener Gesellschaft m.b.H.	1 418	-	1 418	-	600	-	600	-
Aon Belgium	1 538	-	5 235	-	1 997	-	-	-
Aon Versicherungsmakler Deutschland GmbH	24 694	-	11 233	-	27 350	20 840	20 840	28 824
Aon Denmark A/S	22 506	-	1 032	-	26 623	-	1 800	-
Aon Gil y Carvajal S.A. Seguro	3 250	-	3 250	-	-	-	-	-
Aon Finland Oy	61 582	-	4 600	-	85 252	-	11 750	-
Aon France S.A.S	9 800	-	6 500	-	4 450	-	1 800	-
ERROR	-	-	-	-	-	-	-	-
Aon Corporation EMEA B.V.	47 712	45 125	2 406	-	47 920	44 370	12 206	-
Aon MacDonagh Boland	4 875	564	2 000	1 134	3 307	1 104	-	542
Aon S.p.A	2 578	-	1 078	-	3 361	-	3 366	-
ARS Inc of New York	20 595	-	19 199	-	21 209	-	27 380	815
ARS of Texas	10 418	-	2 765	-	4 194	-	1 325	-
ARS Inc of Illinois	7 331	-	8 944	-	(298)	-	9 132	-
ARS Companies Inc	3 980	-	2 154	-	10 510	9 878	-	70
Aon Canada Inc.	-	-	1 904	-	1 985	-	3 587	-
Aon Risk Consultants Inc.	71 535	-	4 341	-	53 635	-	4 362	-
Aon Ltd	133 524	1 148	31 563	52 317	121 427	2 774	24 751	
Aon Nederland C.V.	85 920	-	47 862	11 478	164 822	-	163 033	287 502
Aon Singapore Ctr for Innovation, Strategy Mgt Pte. Ltd	-	311 633	450	-	-	592 894	-	-
Aon plc	-	30 567	-	-	-	8 991	-	-
Aon Sweden AB	8 847	-	9 728	-	13 560	-	12 370	-
Hewitt Associates S.A.	4 870	-	4 870	-	2 812	-	2 745	-
Aon Bahrain W.L.L.	(1 000)	-	-	-	-	-	-	-
Aon Re Middle East W.L.L.	-	-	-	-	-	-	129	6 579
ARS Schweiz AG, Zurich	1 000	-	1 000	-	-	-	-	-
Aon Consulting Ltd	-	-	-	45	-	-	-	-
Aon Polska Sp. z o.o.	-	-	-	-	913	-	919	-
Aon Holdings	-	-	-	-	-	-	2 896	-
Aon Consulting SIA	-	(1 243)	1 243	-	-	(218)	1 095	-
Aon Korea Inc.	-	-	-	-	-	-	1	-
Aon Hong Kong Ltd	5 985	-	-	-	5 994	2 170	-	-
ARS Inc of Massachusetts	4 534	-	2 392	-	-	-	-	-
Aon Risk Services South, Inc	2 254	-	-	-	2 228	-	-	-
ARS Inc of Pennsylvania	10 171	-	10 357	-	9 186	-	19 861	-
Aon Consulting Inc.	5 242	-	1 148	-	2 673	-	1 348	-
Aon Rus-Insurance Brokers LLC	2 296	4 532	-	-	(32 251)	(2 787)	-	4 029
Aon Central & Eastern Eur a.s.	-	-	-	-	-	8 954	-	7 400
Aon Service Corporation	-	-	-	-	-	-	-	1 478
Aon Norway AS	3 000	-	-	-	5 000	-	-	-
EMEA E&O Company					-	99 326	-	-
Aon Cent. & East. Eur, org.zl.					-	1 770	-	-
	560 455	**392 326**	**188 672**	**64 974**	**588 459**	**790 066**	**327 296**	**337 239**

Transactions with related parties include ordinary acquisition of goods and services related to operations. No guarantees or collaterals related to receivables from or payables to related parties were provided or received. Receivables from and payables to related parties are expected to be covered by cash of set offs against payables/receivables from the respective related parties.

Company management payroll and other payments

The management of the company consists of the general manager, finance director, managers of subsidiaries in Latvia and Estonia. In 2016 and 2015 the management of the company did not receive any loans or guarantees.

	During the financial year		Balance at the end of	
	2016	2015	2016	2015
Management remuneration during	295 527	355 854	49 138	65 357
Other material amounts	-	-	-	-
Average number of management	4	4		

Balances of management remuneration as at the year end consists of accrued salary payable and annual bonuses to the management.

23 NOTE: MATERIAL SUBSEQUENT EVENTS

At the date of these financial statements the Company's management had a prepared draft of profit distribution for 2016, disclosed in note 11

There were no other material subsequent events.

Aruande digitaalallkirjad

Aruande lõpetamise kuupäev on: 20.04.2017

UADBB Aon Baltic Eesti filiaal (registrikood: 11915671) 01.01.2016 - 31.12.2016 majandusaasta aruande andmete õigsust on elektrooniliselt kinnitanud:

Allkirjastaja nimi	Allkirjastaja roll	Allkirja andmise aeg
ERKO TOOMET	Filiaali juhataja	07.06.2017

Sidevahendid

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