

**STATE COMPANY
„INDĖLIŲ IR INVESTIJŲ DRAUDIMAS”**

ANNUAL FINANCIAL STATEMENTS

2017

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MAIN DETAILS OF THE COMPANY

Company name:	SC Indėlių ir investicijų draudimas
Authorised capital:	EUR 8,995,358
Registration date:	16 December 1996
Corporate code:	110069451
Institution implementing rights and obligations of the owner:	Ministry of Finance of the Republic of Lithuania
Registered office address:	Algirdo g. 31, LT-03219, Vilnius
Legal form:	State Company
Data collected and stored in:	Register of Legal Entities
Date of registration of existing Articles of Association:	23 December 2014
Phone:	(8-5) 213 56 57
E-mail address:	idf@idf.lt
Website:	www.iidraudimas.lt
Management bodies of the Company:	Council and Director of the Company.
Chair of the Council:	Sigitas Mitkus, Director of Financial Markets Policy Department of the Ministry of Finance;
Deputy Chair of the Council:	Lina Frejutė, Deputy Head of Project Management Division of the Ministry of Finance;
Members of the Council:	Audrutė Dziskienė, Senior Advisor of Financial Markets Policy Department of the Ministry of Finance; Renata Bagdonienė, Director of Financial Services and Markets Supervision Department of the Supervision Service of the Bank of Lithuania; Gediminas Šimkus, Director of Economics and Financial Stability Service of the Bank of Lithuania;
Director of the Company:	Aurelija Mažintienė.
Auditor:	UAB Naukonsa
Bank:	AB SEB bankas

SC „Indėlių ir investicijų draudimas”

**BALANCE SHEET
31 DECEMBER 2017**

23 January 2018

2017

Presentation currency and accuracy: EUR

Corporate code 110069451, Algirdo g. 31, LT-03219 Vilnius, data collected and stored in the Register of Legal Entities

Seq. No	Items	Note No	31 12 2017	31 12 2016
	ASSETS			
A.	FIXED ASSETS		2,488,387	3,550,847
1.	INTANGIBLE ASSETS	1	24,326	30,377
1.1.	Development works			
1.2.	Software		22,592	27,994
1.3.	Concessions, patents, licenses, trademarks and similar rights			
1.4.	Other intangible assets		1,734	2,383
1.5.	Advances paid			
2.	TANGIBLE ASSETS	2,3,4	39,748	50,868
2.1.	Land			
2.2.	Buildings and structures		16,394	19,132
2.3.	Machinery and equipment			
2.4.	Vehicles		11,061	16,757
2.5.	Other fixtures, fittings, tools and equipment		12,293	14,979
2.6.	Investment assets			
2.6.1.	Land			
2.6.2.	Buildings			
2.7.	Advances paid and construction (works) in progress of fixed assets			
3.	FINANCIAL ASSETS	5	2,424,313	3,469,602
3.1.	Amounts receivable after one year			
3.2.	Other financial assets		2,424,313	3,469,602
4.	OTHER FIXED ASSETS			
4.1.	Deferred income tax assets			
4.2.	Biological assets			
4.3.	Other assets			
B.	CURRENT ASSETS		13,427,690	12,345,997
1.	INVENTORIES		479	543
1.1.	Materials and supplies			
1.2.	Unfinished goods and works in progress	6	111	91
1.3.	Products			
1.4.	Goods purchased for resale			
1.5.	Biological assets			
1.6.	Fixed tangible assets held for sale			
1.7.	Prepayments	7	368	452
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR	8	7,589	3,829
2.1.	Trade receivables			
2.2.	Other receivables		7,589	3,829
3.	SHORT-TERM INVESTMENTS	5,9	986,430	11,787,823
4.	CASH AND CASH EQUIVALENTS	10	12,433,192	553,802
C.	DEFERRED EXPENSES AND ACCRUED INCOME	11	4,313	3,040
	TOTAL ASSETS		15,920,390	15,899,884

Seq. No	EQUITY AND LIABILITIES	Note No	31 12 2017	31 12 2016
D.	EQUITY CAPITAL		15,878,677	15,835,261
1.	CAPITAL OF THE COMPANY'S OWNER		8,995,358	8,995,358
2.	CAPITAL CORRESPONDING TO ASSETS WHICH IN ACCORDANCE WITH LAWS MAY BE SOLELY OWNED BY THE STATE			
3.	CAPITAL CORRESPONDING TO CENTRALLY MANAGED STATE ASSETS			
4.	REVALUATION RESERVE			
5.	RESERVES		6,839,903	6,684,376
5.1.	Mandatory		6,839,903	6,684,376
5.2.	Other reserves			
6.	RETAINED PROFIT (LOSS)	12	43,416	155,527
6.1.	Profit (loss) of the reporting year		43,416	112,687
6.2.	Profit (loss) of the previous year			42,840
E.	GRANTS, SUBSIDIES			
F.	PROVISIONS			
1.	Provisions for pensions and similar liabilities			
2.	Tax provisions			
3.	Other provisions			
G.	AMOUNTS PAYABLE AND OTHER LIABILITIES		41,713	64,623
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND OTHER LONG-TERM LIABILITIES			
1.1.	Debt liabilities			
1.2.	Debts to credit institutions	13		
1.3.	Received prepayments			
1.4.	Trade payables			
1.5.	Amounts payable according to bills and checks			
1.6.	Other amounts payable and liabilities			
2.	AMOUNTS PAYABLE WITHIN ONE YEAR AND OTHER SHORT-TERM LIABILITIES	14	41,713	64,623
2.1.	Debt liabilities			
2.2.	Debts to credit institutions			
2.3.	Received prepayments			13,829
2.4.	Trade payables		18,538	5,735
2.5.	Amounts payable according to bills and checks			
2.6.	Corporate income tax obligations			
2.7.	Liabilities related to employment relationships		22,703	34,464
2.8.	Other amounts payable and short-term liabilities		472	10,595
H.	ACCRUED EXPENSES AND DEFERRED INCOME			
	TOTAL EQUITY CAPITAL AND LIABILITIES		15,920,390	15,899,884

Director

Aurelija Mažintienė

Acting Chief Accountant

Laima Tankevičiūtė

SC „Indėlių ir investicijų draudimas”

Corporate code 110069451, Algirdo g. 31, LT-03219 Vilnius, data collected and stored in the Register of Legal Entities

PROFIT (LOSS) STATEMENT 31 DECEMBER 2017

23 January 2018

2017

Presentation currency and accuracy: EUR

Seq. No	Items	Note No	31 12 2017	31 12 2016
1.	Sales income	15	492,031	605,589
2.	Cost of sales			
3.	Change in fair value of biological assets			
4.	GROSS PROFIT (LOSS)		492,031	605,589
5.	Sales expenses			
6.	General and administrative expenses	15	(492,031)	(605,589)
7.	Other operating results			
8.	Income from investments into shares of the parent undertaking, subsidiaries and associates			
9.	Income from other long-term and short-term investments and loans			
10.	Other interest and similar income	16	44,184	114,303
11.	Decrease in value of financial assets and short-term investments			
12.	Interest expenses and other expenses	16	(768)	(1.616)
13.	PROFIT (LOSS) BEFORE TAXES		43,416	112,687
14.	Corporate income tax			
15.	NET PROFIT (LOSS)		43,416	112,687

Director

Aurelija Mažintienė

Acting Chief Accountant

Laima Tankevičiūtė

SC „Indėlių ir investicijų draudimas”

Corporate code 110069451, Algirdo g. 31, LT-03219 Vilnius, data collected and stored in the Register of Legal Entities

STATEMENT OF CHANGES IN EQUITY 31 DECEMBER 2017

23 January 2018

2017

Presentation currency and accuracy: EUR

		Capital of the Company's owner	Capital corresponding to asserts which in accordance with laws may be solely owned by the State	Capital corresponding to centrally managed State assets	Revaluation reserve		Statutory reserve	Other reserves	Retained profit (loss)	Total
					Tangible fixed assets	Financial assets				
1.	Balance at the end of the reporting period preceding the previous reporting (annual) period	8,995,358					6,103,882		580,494	15,679,734
2.	Effects of change in accounting policies									
3.	Effect of correction of material errors									
4.	Restated balance at the end of the reporting period preceding the previous reporting (annual) period	8,995,358					6,103,882		580,494	15,679,734
5.	Increase (decrease) in value of fixed tangible assets									
6.	Increase (decrease) in value of the effective hedge									
7.	Profit (loss) not recognised in profit (loss) statement								42,840	42,840
8.	Net profit (loss) of the reporting period								112,687	112,687
9.	Share of the Company's profit paid into the State or municipal budget									
10.	Increase (decrease) in capital corresponding to asserts which in accordance with laws may be solely owned by the State									
11.	Increase (reduction) of capital corresponding to centrally managed State assets									
12.	Formed reserves						580,494		(580,494)	
13.	Used reserves									
14.	Increase (reduction) of capital of the Company's owner									
15.	Balance at the end of the previous reporting (annual) period	8,995,358					6,684,376		155,527	15,835,261
16.	Increase (decrease) in value of tangible fixed assets									

17.	Increase (decrease) in value of the effective hedge								
18.	Profit (loss) not recognised in profit (loss) statement								
19.	Net profit (loss) of the reporting period							43,416	43,416
20.	Share of the Company's profit paid into the State or municipal budget								
21.	Increase (reduction) of capital corresponding to asserts which in accordance with laws may be solely owned by the State								
22.	Increase (reduction) of capital corresponding to centrally managed State assets								
23.	Formed reserves					155,527		(155,527)	
24.	Used reserves								
25.	Increase (reduction) of capital of the Company's owner								
26.	Balance at the end of the reporting financial year	8,995,358				6,839,903		43,416	15,878,677

Director

Aurelija Mažintienė

Acting Chief Accountant

Laima Tankevičiūtė

SC „Indėlių ir investicijų draudimas”

CASH FLOW STATEMENT

Algirdo g. 31, LT-03219 Vilnius, data collected and stored in the Register of Legal Entities

Corporate code
110069451,

31 DECEMBER 2018

23 January 2018

2017

Presentation currency and accuracy: EUR

Seq. No	Items	Note No	31 12 2017	31 12 2016
1.	Cash flows from operating activities			
1.1.	Cash receipts of the reporting period (incl. VAT)		498,511	648,414
I.1.1.	Cash receipts from customers		471,750	563,944
I.1.2.	Other receipts		26,761	84,470
1.2.	Cash payments of the reporting period		(498,180)	(588,152)
I.2.1.	Payments to suppliers of raw materials, goods and services (incl. VAT)		(96,242)	(175,017)
I.2.2.	Payments related to employment relationships		(382,205)	(402,348)
I.2.3.	Taxes paid into the budget		(4,498)	(4,498)
I.2.4.	Other payments		(15,235)	(6,289)
	Net cash flows from operating activities		331	60,262
2.	Cash flows from investing activities			
2.1.	Acquisition of fixed assets, except for investments		(11,038)	(35,947)
2.2.	Disposal of fixed assets, except for investments			
2.3.	Acquisition of long-term investments			
2.4.	Disposal of long-term investments		1,250,972	11,029,261
2.5.	Loans granted			
2.6.	Loans recovered			
2.7.	Interest paid			
2.8.	Other increase in cash flows from investing activities		10,639,893	
2.9.	Other decrease in cash flows from investing activities		(768)	(10,500,219)
	Net cash flows from investing activities		11,879,059	493,095
3.	Cash flows from financing activities			
3.1.	Cash flows related to the Company's owners			
3.1.1.	Increase of capital of Company's owner			
3.1.2.	Contribution from the Company's profit paid into the State and municipal budgets			
3.2.	Cash flows related to other sources of funding			
3.2.1.	Loans granted			
3.2.2.	Loans recovered			
3.2.3.	Interest paid			
3.2.4.	Lease (financial lease) payments			
3.2.5.	Increase in other obligations of the Company			
3.2.6.	Decrease in other obligations of the Company			
3.2.7.	Other increase in cash flows from financing activities			
3.2.8.	Other decrease in cash flows from financing activities			
	Net cash flows from financing activities			
4.	Effects of exchange rate change on the balance of cash and cash equivalents			
5.	Net increase (decrease) in cash flows		11,879,390	553,357
6.	Cash and cash equivalents at the beginning of the period		553,802	445
7.	Cash and cash equivalents at the end of the period	10	12,433,192	553,802

Director
Acting Chief Accountant

Aurelija Mažintienė
Laima Tankevičiūtė

SC SC „Indėlių ir investicijų draudimas”

Corporate code 110069451, Algirdo g. 31, LT-03219 Vilnius, data collected and stored in the Register of Legal Entities

EXPLANATORY NOTES

31 DECEMBER 2017

1. General part

The State Company „Indėlių ir investicijų draudimas” (hereinafter – the Company) is a company set up by the Government of the Republic of Lithuania from State assets in accordance with the procedure established by legal acts. The institution implementing the rights and obligations of the Company’s owner is the Ministry of Finance of the Republic of Lithuania.

The nature of the operating activities of the Company is defined by the Law (No IX-975) of the Republic of Lithuania on Insurance of Deposits and Liabilities to Investors of 19 November 2015 (hereinafter – the Law). Article 36(4) of this Law specifies the purposes of the Company’s activities – to insure the depositor’s deposits, liabilities to investors in accordance with the procedure laid out in the Law and other legal acts, to administrate the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors, and the Resolution Fund (hereinafter – the administrated funds), and to perform other functions provided for by laws.

In implementing the purposes of its activities and acting in observance of Article 38 of the Law, the Company performs the following functions:

- collects deposit insurance contributions, contributions of insurance of liabilities to investors, and resolution contributions and accumulate them in the respective administered fund;
- calculates and pays deposit insurance compensations and compensations for insurance of liabilities to investors;
- invests resources of the administrated funds and of the equity capital of the insurance company;
- handles the accounting of the administrated funds, prepares sets of financial statements, estimates of income and expenses and submits them for approval to the institution exercising rights and duties of the owner of the insurance company;
- supervises the adherence to this Law and the requirements of its implementing legislation by the participants of the deposit insurance system and the participants of the system of insurance of liabilities to investors;
- assesses the terms and conditions of insurance (compensation) of deposits or liabilities to investors or other protection provided by third-country credit institutions, financial brokerage firms and management companies that set up branches in the Republic of Lithuania;
- assesses its own risk, as well as the risk of the Deposit Insurance Fund and the Fund of Insurance of Liabilities to Investors;
- cooperates and exchanges information with the deposit insurance system administrators, supervisory authorities of other Member States and third countries, as well as the European Banking Authority;
- conduct stress tests of the deposit insurance system.

As at 31 December 2017, the Company had no branches and representative offices.

As at 31 December 2017, the Company has not acquired its own shares.

As at 31 December 2017, the Company has not set up any subsidiaries.

In 2017, the average payroll number of the Company’s employees was 16.

In 2016, the average payroll number of the Company’s employees was 19.

2. Summary of significant principles of accounting

The main principles of accounting applied in preparing financial statements of the Fund for the year ended 31 December 2017 are as follows:

2.1 Form of financial statements

Financial statements of the Company have been prepared according to the Business Accounting Standards (hereinafter – BAS), which include the standards and interpretations approved by the Authority of Audit and Accounting under the Ministry of Finance of the Republic of Lithuania before 31 December 2017.

Financial year of the Company corresponds to the calendar year.

2.2 Conformity of financial statements with the Standards

Financial statements of the Company for 2017 have been prepared separately according to the BAS, as provided for by Article 45(1) of the Law.

2.3 Reporting currency

The Company's accounting records are kept and all amounts in these financial statements are presented in euro (EUR).

2.4 Intangible fixed assets

Intangible assets are accounted for in observance of 13 BAS 'Intangible assets'. Intangible assets are recognised when future economic benefits from the assets can be expected and the value of assets can be reliably measured. Following initial recognition, intangible assets are carried at acquisition cost, less accrued amortisation and accrued value impairment losses, if any. Intangible assets are amortised applying the straight-line method during the estimated useful life. Intangible assets of the Company are amortised during the period of 3 years.

Licences

Amounts paid for licences are capitalised and amortised during the licence validity period.

Software

New software acquisition costs are capitalised and recognised as intangible fixed assets when such costs are not a component part of computer equipment. Software is amortised during the period of 3 years.

Expenses incurred in recovering or retaining expected economic benefits from operation of available software systems are recognised in expenses of the period during which the works of repair and maintenance are carried out.

2.5 Tangible fixed assets

Tangible fixed assets are accounted for in observance of 12 BAS 'Tangible fixed assets'. Tangible fixed assets are carried at acquisition cost, less accrued amortisation and accrued value impairment losses, if any.

When assets are sold or written-off, their acquisition cost and accrued depreciation is eliminated in the accounts and profit or loss from sale is recognised in the profit (loss) statement.

Initial cost of a tangible fixed asset comprises the acquisition cost, including non-refundable purchase taxes and all directly attributable expenses related with the preparation of the asset for operation or bringing to the location where it will be used.

Costs of repair and operation incurred when tangible fixed assets are put into use normally are recorded in the profit (loss) statement of the period during which they were incurred. In those cases when it can be clearly

demonstrated that such costs will increase economic benefits from the use of such tangible fixed assets and/or will extend their the estimated useful economic life, the costs are capitalised summing them up with the acquisition cost of tangible fixed assets.

The minimum value of tangible fixed assets applied by the Company is EUR 500.

Depreciation is calculated according to the straight-line method over the below specified average useful life:

Premises	50 years
Vehicles	6 years
Office furniture	6 years
Other tangible fixed assets	4 years
Computer equipment and means of communication	3 years

Useful life is regularly revised to ensure that the term of depreciation corresponds to the expected useful life of tangible fixed assets.

2.6 Decrease in value of intangible and tangible fixed assets

On the date of preparation of financial statements, the Company revises the residual value of assets to determine whether there are any indications of impairment in their value. If such indications are identified, the Company estimates the recoverable amount of such assets in order to measure the value impairment (if any). As at 31 December 2017, such value impairment was not identified in the Company.

2.7 Investments

According to 18 BAS ‘Financial assets and financial liabilities’, investments in Government securities in the Company are treated as securities held-to-maturity.

Own capital funds of the Company are invested in observance of the Law, Articles of Association of the Company, the Policy of Investment of the Equity Capital and Administrated Funds approved by the Company’s Council and other related legal acts.

The investment of funds into deposits and Government securities is based on security, liquidity and profitability criteria.

Held-to-maturity investments are recorded as long-term financial assets, unless their maturity exceeds twelve months after the balance sheet date.

Available-for-sale investments are recorded as current assets, where they are planned to be realised within twelve months after the balance sheet date.

All acquisitions and sales of investments are recognised on the day of their purchase/sale. Upon acquisition, investments are recorded at acquisition value which is equal to the fair value of paid consideration, excluding the costs of conclusion of the transaction.

Held-to-maturity investments are carried at amortised acquisition cost using the effective interest rate method. The share of amortisation attributed to the reporting period is recorded in items of interest expenses from financing and investing activity in the profit (loss) statement.

Government securities redeemable within one year after the date of financial statements are recorded in the line ‘Short-term investments’ of the balance sheet item ‘Other current assets’ and those redeemable after one year and later – in the line ‘Other financial assets’ of the balance sheet item ‘Financial fixed assets’.

Costs related to the acquisition of securities are recognised in profit (loss) statements as financing and investing activity expenses.

2.8 Receivables and granted loans

According to 18 BAS 'Financial assets and financial liabilities', upon initial recognition, receivables are recorded at acquisition cost. Later, short-term receivables are recorded taking account of their value impairment and long-term receivables – at discounted value less impairment losses.

2.9 Inventories

Accounting for inventories is carried out according to 9 BAS 'Inventories'. Upon registration of inventories in the accounting and applying the continuous inventory accounting method they are measured at acquisition cost and when preparing financial statements – at acquisition (production) cost or net realisable value whichever of the two is smaller. When estimating the cost of inventories used in the Company's activities or sold, the Company applies FIFO method (assuming that inventory items that were purchased or produced first are used first). Maintenance inventory which is used in the Company's activities for more than one year and the price of which is from EUR 50 to EUR 500, after putting into operation and writing-off to operating expenses is recorded in the off-balance sheet account.

2.10 Cash and cash equivalents

According to 18 BAS 'Financial assets and financial liabilities', cash and cash equivalents comprise cash held in the Company's bank account. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash. Maturity of such investments is up to three months and they are subject to an insignificant risk of changes in value.

In the cash flow statement, cash and cash equivalents comprise cash with bank, other short-term highly liquid investments.

2.11 Assets entrusted for administration

Pursuant to Article 36(4) of the Law, the purposes of the Company's activities include:

- the insurance of depositor's deposits, liabilities to investors;
- the administration of the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors, and the Resolution Fund (hereinafter – the administrated funds).

Since 1996, the Company administrates the Deposit Insurance Fund, since 2002 – the Fund of Insurance of Liabilities to Investors, and since 2015 – the Resolution Fund.

The administrated funds are not legal entities. They are administrated by the Company which acts on their behalf. The objects and type of the administrated funds are defined in Chapters II, III and IV of the Law.

Pursuant to Article 45(2) of the Law, the Company keeps separate accounts for each administrated fund and prepares separate sets of financial statements for each of them in accordance with the procedure set forth in the Law of the Republic of Lithuania on Financial Accounts of the Public Sector.

2.12 Debt liabilities

According to 18 BAS 'Financial assets and financial liabilities', upon initial recognition, the Company's debts are recognised at acquisition cost. Each time when financial statements are prepared debt liabilities are re-measured deducting impairment losses from acquisition cost.

2.13 Equity capital of the Company

The Company's equity capital is formed in accordance with Article 43 of the Law. All profit of the Company is transferred to the mandatory reserve.

2.14 Recognition of income and expenses of the Company

Income and expenses of the Company are registered in the accounting and presented in financial statements on accrual basis of income and expenses.

According to 10 BAS 'Income', the Company's income is recognised, registered in the accounting and presented in financial statements during the reporting period in which it is earned, irrespective of the time of receiving the money.

Pursuant to Article 44 of the Law, the Company recognises as income:

- fees for the administration of the funds (the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund):

- income from investment of equity capital of the Company;
- other income.

According to 11 BAS 'Expenses', expenses are recognised and registered in the accounting during the period in which they were incurred – when related income is earned, services are provided, actions are carried out in performing the assigned functions irrespective of the time of spending the money and when their value can be reliably measured.

Pursuant to Article 44 of the Law, the Company recognises as expenses:

- administration expenses of the administrated funds;
- costs of investment of the Company's equity capital;
- other expenses.

The amount of expenses, as a rule, is measured at the paid or payable amount of money, including VAT. Expenses of the Company related to the funds entrusted to it for administration are classified into the Company's staff maintenance costs, administrative expenses, costs of use and maintenance of assets and depreciation.

2.15 Impairment of financial assets

According to 18 BAS 'Financial assets and financial liabilities', value impairment of financial assets is measured at each balance sheet date.

When it is clear the Company will not recover all amounts receivable by the agreed payment deadlines, the loss of value impairment of financial assets recorded at amortised cost and of bad debts is recognised in the profit (loss) statement. Reversed value impairment loss recognised in previous periods is recorded when the decrease of such loss can be objectively evidenced by events occurring after recording of impairment. Such reversal is reflected in the profit (loss) statement. However, the increase in carrying amount should not exceed the amortised cost which would apply if the impairment had not been recognised.

2.16 Taxes

The Company does not pay the corporate income tax, the real estate tax and the value added tax. Since 2005, the Company pays into the State Budget the tax for use of state assets by trust at the tax rate of 0.05% from the capital of the Company's owner.

2.17 Foreign exchange

According to 22 BAS 'Changes in foreign exchange rates', foreign currency transactions are recorded at the official exchange rate applicable on the transaction day. Profit and loss from such transactions and balances of assets and liabilities expressed in foreign currency on the revaluation balance sheet date are recorded in the profit (loss) statement. Revaluation of such balances is carried out applying the exchange rate of the end of the reporting period.

2.18 Use of estimates in preparing financial statements

19 BAS 'Provisions, contingent liabilities and contingent assets and events after the balance sheet date' requires making certain assumptions and estimates that influence the presented amounts of assets, liabilities, income and expenses and disclosure of contingencies. Significant areas of these financial statements in which estimates are used include depreciation and value impairment estimates. The result of change in such estimates is not recorded in financial statements of the Company because it has not been identified.

2.19 Related parties

Recognised related parties include the Ministry of Finance of the Republic of Lithuania, members of the Company's Council who directly or indirectly control the Company and subject to the condition that such relationship enables one of the parties to control or have significant influence on the other party when taking financial or management decisions.

2.20 Events after the balance sheet date

Events after the balance sheet date which provide additional information about the Company's position on the balance sheet date (adjusting events) are reflected in financial statements. Events after the balance sheet date that are not adjusting events are described in the notes when this is relevant.

2.21 Management of financial risks

In its activities, the Company is exposed to different financial risks. Risk management methods are presented below:

Credit risk

Credit risk or risk of counterparty's default on its obligations is controlled by applying credit time limits and controls of procedures.

Currency risk

The Company is not exposed to the risk of changes in foreign exchange rates in respect of purchase and sale amounts recorded in currencies other than euro. In 2017, the Company was not exposed to foreign exchange change risks.

Liquidity risk

The Company's policy is to maintain the adequate flow of cash and cash equivalents. Funds are invested in debt securities of governments with high borrowing rating; therefore, there is a possibility to sell investments at desired times.

Interest rate risk

For the purpose of managing the interest rate risk, the modified duration ratio of investments in securities the value of which does not exceed 3 is considered as the acceptable risk level. The following methods and assumptions are used in order to assess financial assets and liabilities of each type:

- the book value of short-term trade receivables, short-term trade payables and short-term debts is close to their fair value;

- the fair value of long-term debts is determined on the basis of the market price or interest rate of the same or similar loan applicable at the same time to debts of the same maturity. The fair value of long-term debts on which variable interest is paid is close to their book value.

3. Explanatory notes

Note 1. Intangible fixed assets

Table 1. Changes of intangible assets during the reporting period

	Items	Development works	Goodwill	Patents, licences, etc.	Software	Other intangible assets	Total
	Residual value at the end of the previous financial year, 31 December 2016				27,994	2,383	30,377
a)	Intangible fixed assets at acquisition cost						
	At the end of the previous financial year				36,586		36,586
	Changes of 2016:						
	- acquisition of assets				26,462	2,600	29,062
	- assets disposed to other persons and written-off (-)						
	- transfers between items +/-(-)						
	At the end of the previous financial year, 31 December 2016				63,048	2,600	65,648
b)	Amortisation						
	At the end of the previous financial year				26,780		26,780
	Changes of 2016:						
	- amortisation of the financial year				8,274	217	8,491
	- reversing entries (-)						
	- amortisation of assets disposed to other persons and written-off (-)						
	- transfers between items +/-(-)						
	At the end of the previous financial year, 31 December 2016				35,054	217	35,271
c)	Intangible fixed assets at acquisition cost						
	Changes of 2017 financial year:						
	- acquisition of assets				7,990		7,990
	- assets disposed to other persons and written-off						
	- transfers between items +/-(-)						
d)	At the end of the previous financial year, 31 December 2017				71,038	2,600	73,638
	Amortisation						
	At the end of the previous financial year				35,054	217	35,271
	Changes of 2017:						
	- amortisation of the financial year				13,392	649	14,041
	- reversing entries (-)						
	- amortisation of assets disposed to other persons and written-off (-)						
	- transfers between items +/-(-)						
	At the end of the financial year, 31 December 2017				48,446	866	49,312
g)	Value impairment						
	At the end of the previous financial year						
	Changes of 2017:						
	- amortisation of the financial year						
	- reversing entries (-)						
	- amortisation of assets disposed to other persons and written-off (-)						
	- transfers between items +/-(-)						
	At the end of the financial year, 31 December 2017						
f)	Residual value at the end of the financial year, 31 December 2017 (c)-(d)-(g)				22,592	1,734	24,326

The Company has no internally created intangible fixed assets. Amortisation costs of intangible fixed assets are recorded in operating expenses in the profit (loss) statement.

Note 2. Tangible fixed assets

Table 2. Changes in tangible assets of the reporting period

	Items	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings, tools and equipment	Construction in progress	Other tangible assets	Total
	Residual value at the end of the previous financial year, 31 December 2016		19,132		16,757	14,979			50,868
a)	Acquisition cost At the end of the previous financial year		100,408		34,175	60,601			195,184
	Changes of 2016: - acquisition of assets - assets disposed and written-off (-) - transfers between items +/-(-)					6,885			6,885
	At the end of the previous financial year, 31 December 2016		100,408		34,175	67,486			202,069
b)	Depreciation At the end of the previous financial year		78,538		11,722	46,347			136,607
	Changes of the financial year: - depreciation of the financial year - reversing entries (-) - depreciation of assets disposed to other persons and written-off (-) - transfers between items +/-(-)		2,738		5,696	6,160			14,594
	At the end of the previous financial year, 31 December 2016		81,276		17,418	52,507			151,201
c)	Acquisition cost At the end of the previous financial year		100,408		34,175	67,486			202,069
	Changes of 2017 financial year: - acquisition of assets - assets disposed and written-off (-) - transfers between items +/-(-)					3,048			3,048
	At the end of the financial year, 31 December 2017		100,408		34,175	70,534			205,117
d)	Depreciation At the end of the previous financial year		81,276		17,418	52,507			151,201
	Changes of the financial year: - depreciation of the financial year - reversing entries (-) - depreciation of assets disposed to other persons and written-off (-) - transfers between items +/-(-)		2,738		5,696	5,734			14,168
	At the end of the financial year, 31 December 2017		84,014		23,114	58,241			165,369
e)	Value impairment At the end of the previous financial year Changes of the financial year: - value impairment of the financial year - reversing entries (-) - of assets disposed to other persons and written-off (-) - transfers between items +/-(-)								
	At the end of the financial year, 31 December 2017								
f)	Residual value at the end of the financial year, 31 December 2017 (a)+(b)-(c)-(d)		16,394		11,061	12,293			39,748

Depreciation is calculated according to the straight-line method over the below specified average useful life:
Premises 50 years

Vehicles	6 years
Office furniture	6 years
Other tangible fixed assets	4 years
Computer equipment and means of communication	3 years

Note 3. Mortgage of tangible fixed assets

As at 31 December 2017, the Company had no mortgaged tangible fixed assets.

Note 4. Amortised and depreciated tangible and intangible fixed assets in use

Table 3. Depreciated (amortised) assets in use

Groups of fixed assets	Acquisition cost
Software	31,397
Furniture	14,776
Computer equipment	18,653
Means and communication and other equipment	10,586
Total	75,412

Costs of depreciation and amortisation are included in operating expenses in the annual profit (loss) statement of the Company. Such depreciated fixed assets the condition of which is still satisfactory and it is still used in the Company's activities.

Note 5. Other financial assets

Data presented in line 3.2 'Other financial assets' of part A of the balance sheet about held to maturity long-term debt securities acquired by the Company, redeemable after one year or later and about short-term debt securities reflected in part B 'Short-term investments' of the balance sheet.

Table 4. Changes in held-to-maturity financial assets in 2016

Seq. No	Financial asset	Book value at the beginning of the reporting period	During the reporting period							Book value at the end of the reporting period		
			Purchased (at acquisition cost)	Sold (at book value at the moment of sale)	Transferred to (from) another group of financial assets	Amortisation amount	Effects of exchange rate changes	Cash receipts	Write-off		Devaluation	
1	2	3	4	5	6	7	8	9	10	11	12	
1.	Long-term financial assets and granted loans	4,841,707			(1,346,998)	(25,107)						3,469,602
1.1.	Granted loans											
1.2.	Bonds	4,841,707			(1,346,998)	(25,107)						3,469,602
1.3.	Notes											
1.4.	Other non-equity securities											
	Long-term deposits											
2.	Short-term financial assets and granted loans	10,837,580			1,346,998	132,821		(11,029,576)				1,287,823
2.1.	Granted loans											
2.2.	Bonds	10,837,580			1,346,998	132,821		(11,029,576)				1,287,823
2.3.	Notes											
2.4.	Other non-equity securities											
2.5.	Short-term deposits											
3.	Total	15,679,287			-	107,714		(11,029,576)				4,757,425

Changes in held-to-maturity financial assets in 2017

Seq. No		Book value at the beginning of the reporting period	During the reporting period								Book value at the end of the reporting period
			Purchased (at acquisition cost)	Sold (at book value at the moment of sale)	Transferred to (from) another group of financial assets	Amortisation amount	Effects of exchange rate changes	Cash receipts	Write-off	Depreciation	
1	2	3	4	5	6	7	8	9	10	11	12
1.	Long-term financial assets and granted loans	3,469,602			(986,430)	38,251		(97,110)			2,424,313
1.1.	Granted loans										
1.2.	Bonds	3,469,602			(986,430)	38,251		(97,110)			2,424,313
1.3.	Notes										
1.4.	Other non-equity securities										
	Long-term deposits										
2.	Short-term financial assets and granted loans	1,287,823			986,430	5,933		(1,293,756)			986,430
2.1.	Granted loans										
2.2.	Bonds	1,287,823			986,430	5,933		(1,293,756)			986,430
2.3.	Notes										
2.4.	Other non-equity securities										
2.5.	Short-term deposits										
3.	Total	4,757,425			-	44,184		(1,390,866)			3,410,743

The information on the Company's investments into Government securities (bonds) of Lithuania and Latvia is presented below.

Table 5. Investments of the Company into Government securities

GS (ISIN No)	Redemption date	Coupon rate	Portfolio share	GS quantity, units	Nominal value per unit, in EUR	Nominal value	Book value as at 31 12 2017, in EUR
LT0000605149	31 10 2018	2.60%	33.99%	91,883,911	0.01	918,839	930,202
LT0000607053	28 03 2018	5.20%	0.75%	2,026,575	0.01	20,266	21,277
LT0000610065	28 02 2023	4.10%	20.32%	54,930,191	0.01	549,302	595,847
LT0000607087	03 10 2020	3.40%	44.94%	121,468,204	0.01	1,214,682	1,327,536
LT0000630014	20 05 2018	0.30%	0.00%	349	100	34,900	34,951
LT0000630022	30 03 2019	0.60%	0.00%	704	100	70,400	70,770
LV0000570125	21 11 2019	1.88%	0.00%	417	1,000	417,000	430,160
Total:			100%	270,310,351		3,225,389	3,410,743

Note 6. Inventories

Table 6. Inventories

Items	Materials and supplies	Work in progress	Finished goods	Total
At the end of 2017:				
a) Acquisition cost of inventories	111			111
b) Write-off to net realisable value				
c) Net realisable value	111			111
At the end of 2016:				
a) Acquisition cost of inventories	91			91
b) Write-off to net realisable value				
c) Net realisable value	91			91

At the end of the financial year, inventories of the Company totalled EUR 111.

Note 7. Prepayments

The data about the Company's advances paid to suppliers for services are presented in line 1.7 'Paid advances' of part B of the balance sheet.

Table 7. Prepayments

Items	31 12 2017	31 12 2016
Other advances	368	452
Total:	368	452

Note 8. Amounts receivable within one year

The data on other receivables (recoverable litigation costs awarded to the Company – EUR 1,328 and amount receivable for administration from the Funds – EUR 6,261) are presented in line 2 'Amounts receivable within one' year of part B of the balance sheet.

Table 8. Receivables

Items	31 12 2017	31 12 2016
Other receivables	7,589	2,561
Wages (holiday pays) and related taxes		1,268
Total:	7,589	3,829

Note 9. Short-term investments

As at the end of the reporting period, the Company held short-term investments – securities – in the amount of EUR 986,430 (Table 5).

Note 10. Cash and cash equivalents

Table 9. Monetary funds of the Company

Items	31 12 2017	31 12 2016
Cash at bank	12,433,192	553,802
Total:	12,443,192	553,802

Note 11. Deferred expenses

The data on deferred expenses of the Company are presented in part C of the balance sheet.

Table 10. Deferred expenses

Items	31 12 2017	31 12 2016
Subscription, licences	788	979
Property insurance	793	875
Professional training	1,670	1,186
Other	1,062	
Total:	4,313	3,040

Note 12. Profit distribution project

Pursuant to Article 43 of the Law, the Company's profit of EUR 155,527 recognised in 2016 was transferred to the mandatory reserve of 2017.

Table 11. Profit distribution in 2017

Items	31 12 2017	31 12 2016
Retained profit (loss) of the previous financial year at the end of the reporting financial year	-	-

Net profit (loss) of the reporting financial year	43,416	112,687
Profit (loss) of the reporting financial year not recognised in the profit (loss) statement		42,840
Distributable result – profit (loss) end of the reporting financial year	43,416	155,527
Transfers from reserves		
Distributable profit (loss)		
Profit share transferred to the mandatory reserve	43,416	155,527
Profit share transferred to reserves used for employee bonuses, social, cultural, etc. purposes		
Profit share transferred to other reserves		
Company’s profit share paid into the State or municipal budgets		
Undistributed result – profit (loss) carried forward to the next financial year		

Note 13. Financial debts

As at the end of the reporting period the Company had no financial debts (loans).

Note 14. Amounts payable and liabilities of the Company

Table 12. Amounts payable

Items	31 12 2017	31 12 2016
Trade payables	18,538	5,735
Received prepayments		13,829
Obligations related to employment relationships	22,703	34,464
<i>of which:</i>		
– accruals for premiums	10,000	10,000
– holiday reserve	12,723	24,464
– other obligations related to employment relationships	(20)	
Other payables and short-term liabilities:	472	10,595
Accrued expenses		2,500
Other obligations	472	8,095
Total	41,713	64,623

Note 15. Operating income and expenses of the Company

The Company’s income comprises proceeds of the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors for covering of the costs of administration of these Funds and contributions for administration paid by participants of the Resolution Fund.

Table 13. Sales income of the Company

Indicators	31 12 2017	31 12 2016
Sales income:		
<i>Fee for the administration of the DIF</i>	488.953	605.528
<i>Fee for the administration of the FILI</i>	1.000	61
<i>Contributions for the administration of the RF*</i>	2.078	-
Total:	492.031	605.589

*In observance of paragraph 44 *Recognition of income* of the Accounting Policy of the Company, contributions for the administration of the Resolution Fund are recognised as income in observance of Order No 1K-297 of the Minister of Finance of the Republic of Lithuania of 3 August 2017 on approval of the methodology for calculation of annual contributions for administration of the Resolution Fund. The annual share of the contribution for administration is not less than EUR 1,000.

In 2017, the contribution of EUR 2,078 received from the participant of the Resolution Fund consists of EUR 78 of the share of the annual contribution for 2015, the contribution of EUR 1,000 for 2016 and the contribution of EUR 1,000 for 2017.

Table 14. Administrative expenses of Funds administrated by the Company

Items	31 12 2017	31 12 2016
Company's staff maintenance costs:	373,535	408,375
Wages to employees	287,109	299,711
Taxes related to wages	86,426	96,436
Administrative expenses and property use and maintenance costs:	90,287	169,743
Administrative expenses	92,646	162,229
Refunded amount of costs	(20,000)	
Property use and maintenance costs	17,641	7,514
Expenses for taxes on activities	4,498	4,498
Asset depreciation and amortisation costs	28,209	22,973
Total:	492,031	605,589

Note 16. Financing and investing activities

Information on the results of financing and investing activities of the Company is provided below.

Table 15. Results of financing and investing activities

	Items	31 12 2017	31 12 2016
a)	FINANCING AND INVESTING ACTIVITY INCOME	44,184	114,303
	<i>Breakdown of significant amounts:</i>		
	Interest on GSs	44,184	114,303
	Interest on time deposits with the Bank of Lithuania and funds in the Company's account		
	Positive result of exchange rate changes		
	Penalties and fines		
	Other financing activity income		
b)	FINANCING AND INVESTING ACTIVITY EXPENSES	(768)	(1,615)
	<i>Breakdown of significant amounts:</i>		
	Fees and commissions for safe custody of GSs	(768)	(1,615)
	Negative result of exchange rate changes		
	Penalties and fines		
c)	FINANCING AND INVESTING ACTIVITY RESULT (a-b)	43,416	112,688

Note 17. Financial links with managers of the Company

The Company's Administration consists of the Director and the Deputy Director. The information on the amounts calculated for managers is provided below.

Table 16. Financial links with managers of the Company

Items	31 12 2017	31 12 2016
Amounts related to employment relationships calculated per year	87,722	86,602
Average annual administrative staff number	2	2

Note 18. Rights and obligations not reflected in the balance sheet

Contingent assets are assets which as a result of events that are out of the Company's control may belong and generate economic benefits to the Company (e.g., pending legal proceedings when the Company can expect compensation for legal costs).

Contingent assets are not reflected in financial statements until it is not clear whether they will generate economic benefits to the Company. Where economic benefits can be expected, the information on contingent assets is presented in the explanatory notes.

Note 19. Events after the balance sheet date

In performing its functions, the Company participates in legal disputes related to the settlement of credit claims of the Deposit Insurance Fund with bankrupt credit institutions. According to the data of 31 December 2017, the Company, as a defendant or third party, participated in 166 pending legal disputes.

Note 20. Administrated Funds

The Company administrates the Deposit Insurance Fund, the Fund of Insurance of Liabilities to Investors and the Resolution Fund. The accounting of the Funds is handled in observance of the Public Sector Accounting and Financial Reporting Standards. The sets of financial statements are prepared for each Fund separately. The data on the financial position of each Fund and the explanatory information is provided in the sets of financial statements of the Funds.

Director

Aurelija Mažintienė

Acting Chief Accountant

Laima Tankevičiūtė