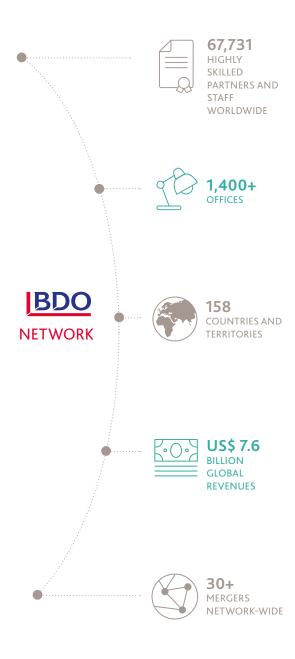


AUDIT FIRM A 1 BDO EESTI AS GROUP ANNUAL REPORT 2016/2015



PASSIONATE PROFESSIONALS



"Thank you for your trust.
What matters to you, matters to us."

BDO's global vision is to be the leading provider of exceptional client service.

BDO EESTI AS

Audit firm activity licence <u>A</u>1 Registry no. 10309827 VAT no. EE100081343

BDO ADVISORY OÜ

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BDO ACCOUNTING OÜ

Registry no. 14031566 VAT no. EE100081343

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BDO EESTI BUSINESS REPORT	4
Message from the management board	5
Statements of the management and supervisory boards	6
2016/2015 at a glance	7
BDO: Globally local	8
BDO client service philosophy: We are focused on solutions	9
BDO people: Team development and professionalism	11
BDO's contribution to development of the Estonian accountancy industry	12
Audit and internal audit services	13
Audit and internal audit service highlights in 2016/2015	16
Accounting, payroll and business support services	17
Accounting, payroll and business support service highlights in 2016/2015	20
Tax, financial and business advisory services	21
Tax, financial and business advisory service highlights in 2016/2015	24
Training and lecturer services	25
Training and lecturer service highlights in 2016/2015	28
BDO EESTI CONSOLIDATED FINANCIAL STATEMENTS	29
Summary of significant accounting policies	30
BDO Eesti consolidated financial statements	37
BDO Eesti consolidated statement of financial position	37
BDO Eesti consolidated statement of comprehensive income	37
BDO Eesti consolidated statement of changes in equity	38
BDO Eesti consolidated statement of cash flows	38
Notes	39
Note 1: Cash and cash equivalents	39
Note 2: Trade and other receivables	39
Note 3: Payables and deferred income	40
Note 4: Equity and shareholders	40
Note 5: Retained earnings	41
Note 6: Revenue	42
Note 7: Cost of sales	43
Note 8: Marketing expenses	43
Note 9: Administrative expenses	44
Note 10: Other income and expenses, finance income and costs and corporate income tax	44
Note 11: Operating segments	45
Note 12: Rental expenses	45
Note 13: Risk Management	47
Note 14: Primary financial statements of the parent and the subsidiaries	49
Note 15: Related party disclosures	51
Note 16: Guarantees and assets pledged as collateral	52
Note 17: Events after the reporting period	52
INDEPENDENT AUDITOR'S REPORT	53



MESSAGE FROM THE MANAGEMENT BOARD

25 + YEARS OF DEDICATION

40 + YEARS OF HISTORY

50+STAFF







2016/2015 2015/2014

870+ ENGAGEMENTS







2014/2013

2016/2015 2015/2014

2013/2014

250+ BUSINESS PARTNERS







FUTURE OF ACCOUNTANCY

At BDO, we believe that the financial services of the future are characterised by clients' direct access and participation, growth in management accounting and reporting, paperfree communication, replacement of manual labour with inter-machine communication, and a reasonable price.

THE FIRM

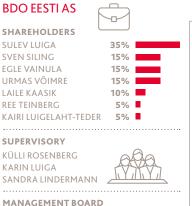
SULEV LUIGA SVEN SILING

FGLE VAINIII A

BDO Eesti AS (audit firm, activity licence <u>al</u>) was the first firm that obtained the right to offer audit services in Estonia after the country regained its independence. By choosing us, you will gain access to the global experience and expertise of the world's fifth-largest network of audit and advisory firms.

BDO EESTI'S LEGAL AND MANAGEMENT STRUCTURE AND OWNERS

30 September 2016





ADVISORY AND TRAINING SERVICES BDO ACCOUNTING OÜ Shareholder: BDO Eesti AS 100%

MANAGEMENT BOARD

EGLE VAINULA

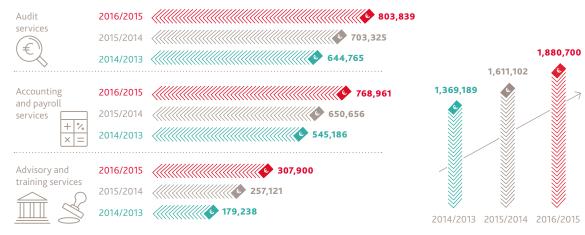
SULEV LUIGA

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In the more than 25 years that we have been offering our current services and the more than 40 years since our firm was established, we have become one of the leading professional services firms in the Estonian market. At 30 September 2016, we had over 700 clients including major local and international companies as well as public sector entities. BDO's Estonian office has over 50 staff who provide quality sector-specific services that take into account both industry developments and the latest international trends. Strong year-over-year business growth reflects our passion to sustain rapid development both in Estonia and across the borders.

BDO EESTI'S CONSOLIDATED REVENUE 1 OCTOBER - 30 SEPTEMBER (€)



STATEMENTS OF THE MANAGEMENT AND SUPERVISORY BOARDS

The management board of BDO Eesti AS has prepared the group annual report for the period 1 October 2015 – 30 September 2016. The annual report of BDO Eesti group (BDO Eesti) consists of the business report and the consolidated financial statements.



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The supervisory board has reviewed and approved the report prepared by the management board.



KARIN LUIGA

Chairman of Supervisory Board of BDO Eesti AS karin.luiga@bdo.ee +372 505 6330





SANDRA LINDERMANN

Member of Supervisory Board of BDO Eesti AS sandra.lindermann@bdo.ee +372 5622 7507





KÜLLI ROSENBERG

Member of Supervisory Board of BDO Eesti AS kylli.rosenberg@bdo.ee +372 5349 0978



THE MANAGEMENT BOARD OF **BDO EESTI AS ACKNOWLEDGES ITS RESPONSIBILITY AND CONFIRMS** THAT:

- The consolidated financial statements of BDO Eesti AS have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter IFRS).
- In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of BDO Eesti AS.
- To the best of our knowledge and belief, the information presented in the group annual report is in all material respects true and fair as at the date the report is authorised for issue (15 March 2017).
- In our opinion, BDO Eesti will continue in business for the foreseeable future and, thus, the consolidated financial statements have been prepared on a going concern basis.

In 2016/2015 the management boards of BDO Eesti duly fulfilled their responsibilities and led the group and each of its entities towards their set objectives.

The management board of BDO Eesti AS has regularly reported to the supervisory board, has acted in line with its powers, and has brought all matters that need to be decided by the supervisory board to the attention of the supervisory board.

BDO Eesti appreciates the opportunity to present its organisation and activities.

We hope that you will find our annual report both useful and interesting as well as generally informative.

We wish to grow BDO's credibility through open communication and consistent commitment to principles that ensure high service quality.



2016/2015 AT A GLANCE

OUR CLIENTS BY BUSINESS LINE



Services



Real Estate & Construction



Public Sector



Education



Technology & Life Sciences



Resources

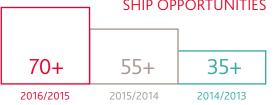
Manufacturing







BDO EESTI INVESTS IN SUSTAINABLE GROWTH BY CREATING A SIGNIFICANT NUMBER OF NEW JOBS AND INTERN-SHIP OPPORTUNITIES



RECORD-HIGH SUPPORT IN SOCIAL MEDIA



BDO is the first audit, accounting and advisory services firm in Estonia to hit the magic 1,000 likes threshold in the social media network Facebook.

BDO EESTI'S RECORD GROWTH



BDO Eesti AS's consolidated revenue for 2016/2015 grew to 1.9 million euros, a 17% improvement on the prior financial year. Despite a relatively weak market, all business lines posted strong growth.

OUR TWO MOST RAPIDLY GROWING SERVICES IN 2015/2014

- ▶ Contract and regulatory compliance services
- ▶ HR services: record-keeping and reporting

OUR THREE NEW SERVICES IN 2016/2015

- ▶ HR services: record-keeping and reporting
- ▶ Certified internal auditor's (CIA) services
- Support and advice in transition to IFRS



Tiina Vask joined BDO Eesti's risk advisory team. Tiina is a certified internal auditor (CIA) with certification in risk management assurance (CRMA) who has 14 years of internal audit experience in the public sector.

IN 2016/2015 WE PERFORMED

Accounting and payroll service engagements

Advisory service engagements

ESTONIAN UNIVERSITIES' PREFERRED **AUDITOR**

At 30 September 30 2016, 83% of all public universities in Estonia were BDO Eesti's audit clients. We were the auditors of the University of Tartu, Tallinn University, Tallinn University of Technology, the Estonian University of Life Sciences and the Estonian Academy of Music and Theatre.



TRAILBLAZER **AMONG LOCAL AUDIT FIRMS**

On 31 March 2016 BDO Eesti was the first audit firm in Estonia to publish its complete IFRS financial statements.



The statements for the year ended 30 September 2015 comprised our results for the past three financial years.

BDO: GLOBALLY LOCAL

OUR NETWORK as at 30 September



REVENUE GROWTH AT CONSTANT RATES





+5.8%



CLIENT-FOCUSED APPROACH

Global professional staff to partner ratio





To gain and maintain BDO membership, a firm must offer a minimum range of the core services (including audit, tax and advisory), have appropriate quality & risk management systems and professional liability insurance cover, and observe a high standard of professionalism and ethics.

INFLUENCE OF THE BDO NETWORK

Through the obligations we have undertaken under the agreements we have signed, the BDO network has significant influence over our operations and policies. However, BDO International Limited (or Brussels Worldwide Services BVBA or Stichting BDO) does not have control over BDO Eesti's business and professional services.

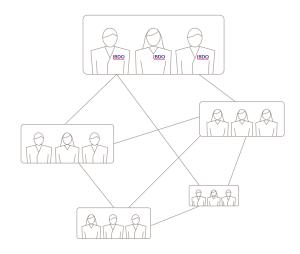
Provision of central services within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium whose statutory seat is in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. The member firms of the BDO network do not have any agency relationship or partnership agreement with BDO International Limited and Brussels Worldwide Services BVBA. Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions.

BDO SINCE 1963

GLOBAL EXPERTISE

BDO is an international network of public accounting and advisory firms that perform professional services under the name of BDO, which is a registered trademark of Stichting BDO.

The network as it is known today was founded in 1963 and the BDO trademark is an acronym that stands for the names of the network's original members: Binder Hamlyn (United Kingdom), Dijker & Co (Netherlands) and Otte & Co (Germany).



In addition to their own extensive knowledge, all our professionals can tap the expertise of the BDO international network whose highly recognised experts are just a phone call away. By sharing knowledge, we complement each other to:

- Assist our clients
- Further improve our professional competence



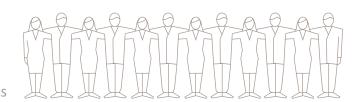
BDO CLIENT SERVICE PHILOSOPHY: WE ARE FOCUSED ON SOLUTIONS

BDO'S VISION IS TO BE THE LEADER IN EXCEPTIONAL CLIENT SERVICE

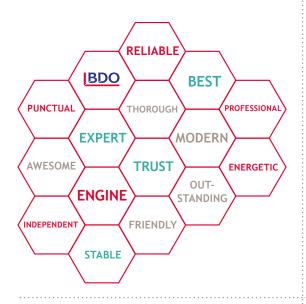
- ▶ We are committed to building strong and long-lasting relationships
- We listen
- ▶ We respond
- We are proactive
- We are dedicated to your business

Clients' direct access

and participation



HOW OUR CLIENTS SEE US



AT BDO, WE BELIEVE THAT THE FINANCIAL SERVICES OF THE FUTURE ARE CHARACTERISED BY:



Growth in management accounting and reporting



Paper-free communication



Significant decrease in manual labour through inter-machine communication



Reasonable price

AS PROFESSIONALS, WE SEEK AND CREATE OPPORTUNITIES FOR SUCCESS

BDO'S DISTINCTIVE FEATURE IS A
CLOSE AND PERSONAL RELATIONSHIP

We aim to understand people as well as but the success of our clients a



WITH THE CLIENT

We appreciate and recognise the strengths of each individual. We assess people based on their performance and offer flexibility in the use of work time. We deliver on the promises made to colleagues and clients. We treat each other as equals and value mutual trust. We support and encourage independent thinking and self-development. We favour the preventive approach to problem-solving. We wish to be an example for others.

We aim to understand people as well as business and build lasting relationships, which are based on mutual respect and trust. We care about the success of our clients and are committed to delivering value. Our professional skills and knowledge ensure effective and smooth collaboration.

We have been operating in the Estonian audit and advisory services market for more than 25 years and have developed a client-based approach to service offering. Consideration of the specific needs and values of each client allows us to build long-term client relationships.

We offer our solutions in order to help clients focus on what is important, simplify issues that are complex, prevent and mitigate risks and, where necessary, outsource their business support services.

BDO CLIENT SERVICE PHILOSOPHY: WE ARE FOCUSED ON SOLUTIONS

BDO Eesti values each existing and prospective client. To ensure the best possible cooperation, we apply a personal approach and strive to adjust to the needs of the client. Be it a small everyday matter or a complex time-consuming process – our experience shows that collaboration produces the best outcome.

We consult and communicate in an open manner. This means we are trustworthy and straightforward in all of our working relationships and prudent in our judgment. We give advice we believe in and behave ethically, stay true to our professional standards and avoid conflicts of interest.

To make sure that our services are provided as smoothly as possible, at least two professionals are assigned to each client. One is the lead client relationship manager and the other a competent specialist whose role is to complement or fill in for the first. Such an arrangement ensures swift and seamless delivery of the services.

As professionals, we monitor our operating environment and plan and design our activities by taking into account all relevant developments. We believe that in the near term the key challenges for the Estonian professional services market are as follows:

- ▶ Employees will feel more secure in areas where it is harder to use machine labour. In response to increasing implementation of machine labour, professionals will start valuing management accounting and financial planning & analysis competencies over the currently preferred financial and tax accounting & reporting skills.
- In auditing, the current approach will be replaced by copying and analysing the clients' (complete) databases. This will make auditing more attractive for younger generations.
- In business consulting, professionals will not be able to keep up with the latest IT innovations which will sustain the shortage of IT expertise.
- In light of the rapid rise in the local micro entrepreneurship, the greatest challenge will be to provide solutions for the so-called 'one man, one dog' type enterprises and organisations.
- ▶ Post-2020 the sustainability of an economy fuelled by public and EU funding is likely to decrease. Lack of a critical mass of relevant and sufficiently large projects in the local market may trigger an outflow of specialists striving for professional growth and advancement.

WHAT MATTERS TO YOU, MATTERS TO US

ADDITIONAL ASSURANCE THROUGH HONESTY AND INTEGRITY

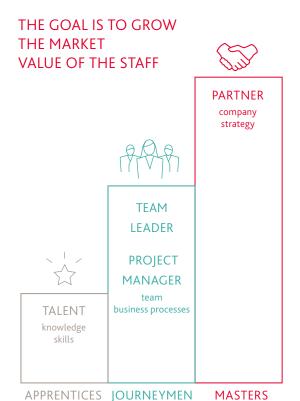
CLIENT-FOCUSED APPROACH

OPERATING ENVIRONMENT IN ESTONIA

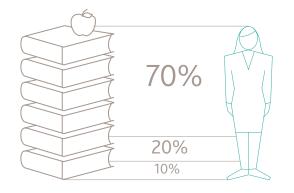
WE BELIEVE THAT IN SUCH AN ENVIRONMENT THE KEY SUCCESS FACTORS ARE OPENNESS, PROFESSIONALISM AND ABILITY TO RESPOND QUICKLY. WE ARE READY AND WILLING 'TO GO THE EXTRA MILE' FOR OUR CLIENTS, BUSINESS PARTNERS AND STAFF.



BDO TEAM DEVELOPMENT AND PROFESSIONALISM



In staff development, we apply the 70/20/10 model according to which 70% of the job is learned through work assignments, 20% through relationships with colleagues and only 10% through formal training such as coursework and seminars. We plan and review our activities so that we can support our staff in all three categories.



EMPLOYEES ARE BDO'S MOST IMPORTANT **ASSETS**

We appreciate the skills, dedication and enthusiasm of our employees because these are a driving force not only for the staff but also the firm. Hence, BDO invests in a supportive work environment that encourages accomplishment, competitive remuneration, and a diverse range of training options. In addition to professional achievement and development, we value good relations between colleagues and arrange events that allow the staff to spend time together outside the office.

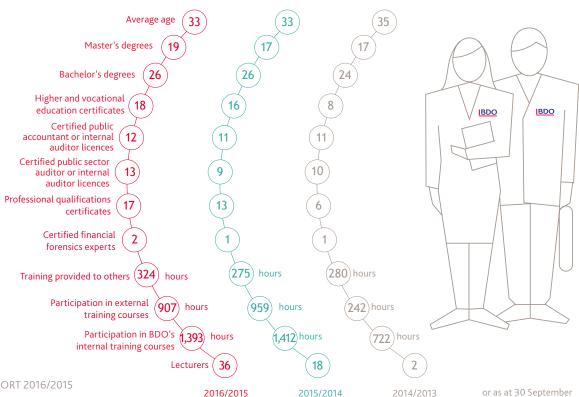
BDO's reputation and success depend on the professionalism and integrity of each partner and staff member. Thus, we have implemented measures designed to provide assurance about the adequacy, competence and integrity of the

- perform engagements in accordance with relevant professional standards and legal and regulatory requirements;
- issue appropriate reports.

BDO Eesti recruits both the best experienced financial specialists and young people interested in gaining experience in finance and becoming certified public accountants, business advisors or (chief) accountants. To be recruited, a candidate must pass an interview, professional and language tests, problem-solving tasks and written presentations.

The objective of the firm's professional development strategy is to help the staff maintain and improve their professional skills and grow their market value.

Employees are encouraged to make sure that their professional development and qualifications comply with their role, responsibilities and professional requirements. Besides development through practice, BDO offers a continuing education programme in selected professional and related areas that the staff may supplement with external training courses.



BDO'S CONTRIBUTION TO DEVELOPMENT OF THE ESTONIAN ACCOUNTANCY INDUSTRY

FOR THE BEST RESULT

BDO is committed to being socially responsible, both in its daily operations and in advising the clients and helping them develop their business. In addition to our specialists' personal involvement in their communities and society as a whole, BDO as a firm has chosen areas where it wishes to contribute, through systematic and carefully considered work, to the development of the industry both locally and globally. We also help increase the competitiveness of the Estonian economy by participation in professional organisations that bring together audit and advisory firms.

Under the leadership of editor in chief Egle Vainula, BDO's specialists compile an accounting handbook, which is among the most popular handbooks published by business paper Äripäev, and reply to the subscribers' questions in an online forum.





BDO Eesti Transparency Report 2015/2014 continued our previously created reporting trend with a similar communication style, differentiating us, in a positive way, from the competition.

See also:

 $\verb|https://www.bdo.ee/en-gb/about/about-bdo-estonia/transparency-report|$

AUDIT FIRM 1 BDO EESTI AS GROUP ANNUAL REPORT 2015/2014

In 2016 BDO Eesti took an important step in its financial reporting by being the first audit and advisory firm in Estonia to adopt IFRS. We did this to set a good example in a sector whose representatives have been expressing opinions on other entities' financial statements for 25 years already but have been preparing their own financial statements in accordance with the bare minimum of the Estonian GAAP. On preparing our complete IFRS financial statements for 2015/2014, we focused on the outcome and our message, aimed particularly at the Scandinavian markets, was that top-level advising and auditing must be supported by an unquestionably professional ability to execute.

Take a look at BDO Eesti's annual reports here: https://www.bdo.ee/en-gb/about/about-bdo-estonia/annual-reports



BDO Eesti Transparency Report 2016/2015, prepared in our unique style, comprised not only the mandatory elements but also other interesting information. What matters to you, matters to us.

Take a look at BDO Eesti's transparency reports here: https://www.bdo.ee/en-gb/about/about-bdo-estonia/transparency-report

MEMBERSHIP AND PARTICIPATION IN THE WORK OF

PROFESSIONAL BODIES:



- ▶ Egle Vainula Council of the Estonian Association of Accountants
- ▶ Sven Siling Management Board and Methodology Committee of the Estonian Association of Auditors
- Laile Kaasik Auditors' Examination Committee and Financial Reporting Taxonomy Working Group, Association of Estonian Internal Auditors (AEIA), Auditors' Activities Oversight Board
- ► Tiina Vask Institute of Internal Auditors (IIA), Association of Estonian Internal Auditors (AEIA)

iikmelisus.

http://www.bdo.ee/et-ee/ettevottest/bdo-eesti/liikmelisus

WE CONTRIBUTE TO SERVICE DESIGN



BDO has been a lead sponsor of the Estonian Design Awards competition in the category of Service Design since 2012.

- In 2012, BDO Eesti recognised OÜ Transferwise in the category of Service Design with BDO's Special Best Financial Service Design Award.
- In 2014, BDO's Special Award went to Fits.me.
- ▶ In 2016, we recognised funeral home Memories with BDO's Special Award for Thought-Altering Innovative Service.





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AUDIT AND INTERNAL AUDIT SERVICES

SERVICES OFFERED



Audit and Review of Financial Statements



Local & Global IFRS Competence



Internal Audit & Risk Assurance Services



EU & Other Project Audits



Special Purpose Engagements



Expressing Assurance on Packaging Reporting



Accounting Advisory Services



RELIABILITY. ACCURACY. ASSURANCE

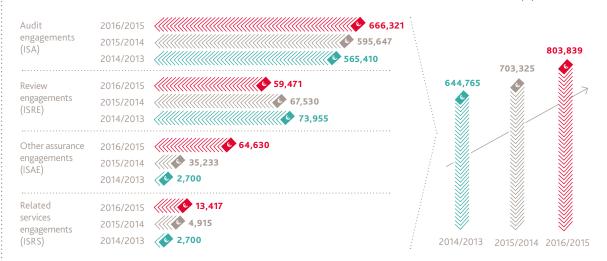
In a rapidly evolving economy and regulatory environment, the right guidance is more important than ever. BDO professionals draw on deep private and public sector experience and global resources to help clients navigate change and find the most suitable solutions.

Your organization is about more than the financial statements. That's why our team of audit & assurance specialists and experts focus on the bigger picture.

Using the BDO international audit methodology, we can assure high work quality and offer more than the routine audit service. We strive to provide constructive ideas for improving the organisation's internal controls and systems and thus also its management. Hence, the BDO approach will help add value to your organisation.

We have one of Estonia's largest dedicated audit & assurance teams and access to a network of experts around the globe.

BDO EESTI'S REVENUE FROM AUDIT SERVICES 1 OCTOBER-30 SEPTEMBER (€)



CHANGES IN GENERAL THRESHOLDS FOR AUDIT AND REVIEW REQUIREMENTS AS FROM 1 JANUARY 2016

Applicable to financial statements covering periods beginning on or after 1 January 2016

		Revenue or income	reporting date	Average number of staff
STATUTORY AUDIT	At least one indicator exceeding	€12,000,000	€6,000,000	180
	At least two indicators exceeding	€4,000,000	€2,000,000	60
STATUTORY REVIEW	At least one indicator exceeding	€4,800,000	€2,400,000	72
	At least two indicators exceeding	€1,600,000	€800,000	24

AUDIT AND INTERNAL AUDIT SERVICE HIGHLIGHTS IN 2016/2015

800,000+ RECORD REVENUE

Audit services generated record-high revenue of 803,839 euros. Our audit service revenue grew by 14% year on year.

TIINA VASK (CIA, CRMA) JOINED BDO EESTI'S TEAM

Tiina Vask joined BDO Eesti's risk advisory team. Tiina is a certified internal auditor (CIA) with certification in risk management assurance (CRMA) who has 14 years of internal audit experience in the public sector. Tiina helped design the internal audit and internal control systems of the Estonian government sector and has worked as an internal auditor and head of internal audit at a ministry.

HIGHEST QUALITY RATING FROM ESTONIAN ASSOCIATION OF AUDITORS

The Estonian Association of Auditors conducted a quality control review at BDO Eesti AS in 2015 in respect of the periods 2012/2011, 2013/2012 and 2014/2013. The review covered:

- compliance of the quality control system with IFAC ISQC 1 (EE);
- compliance of the quality of auditors' professional services with the IFAC (EE) standards.



BDO Eesti AS passed the quality control review with the highest rating on a 3-grade scale: "Service quality meets requirements, improvements possible."

AVERAGE NUMBER OF STAFF







10+ CERTIFIED PUBLIC ACCOUNTANTS

In 2016/2015:

Liina Oolup, Betty Blös and Barbara Asu successfully passed their CPA exam.

At 30 September 2015, BDO Eesti had:

- ▶ 12 certified public accountants;
- ▶ 9 certified public sector auditors;
- ▶ 4 licenced internal auditors;
- ▶ 1 public sector internal auditor.



HIGHEST QUALITY RATING FROM BDO NETWORK

The BDO network conducted a regular quality control review at BDO Eesti in 2014.

The review covered:

- ▶ compliance of the quality control system with IFAC ISQC 1;
- compliance of the quality of auditors' professional services with the IFAC standards;
- compliance of the firm's management systems and policies.



BDO Eesti AS passed the quality control review with the highest rating on a 3-grade scale: "Service quality meets requirements, improvements possible."

EXPANSION OF A STRONG CLIENT PORTFOLIO



In 2016/2015 our client portfolio was strengthened by thirteen public interest entities:

ABC Grupi AS, Estonian University of Life Sciences, Haapsalu City Government, Defence League, Lemeks AS, Visional Invest OÜ, Landcom OÜ, Lääne-Tallinna Keskhaigla AS, Ruukki Products AS, Tallinn University of Technology, Tallinn University, Tartu University Hospital and Kohtla-Järve City.

Recognition by clients is the best feedback for us.

CONTRIBUTION TO THE DEVELOPMENT OF THE PROFESSION

On 13 May 2016 the general meeting of the Estonian Association of Auditors (EAA) gave our Head of Audit and Training Services Sven Siling a strong mandate for continuing as a member of the EAA management board for the next three years.

From 2013 to 2016 when Sven Siling was on the management board of the EAA he was responsible for chairing the EAA Methodology Committee and also contributed to the development of auditors' professional training activities.

CONTRIBUTION TO THE FUTURE OF PUBLIC ACCOUNTANCY

Sven Siling, BDO Eesti's Head of Audit and Training Services and a member of the management board of EAA, will continue to lead the EAA Methodology Committee, which prepares and develops methodological audit tools and arranges further training for auditors.

RISE IN PROFESSIONALISM



A distinctive feature of our services is the speed at which we respond, our openness to change and our adaptability to the most complicated operating environments. In 2016/2015, our other assurance services (ISAE) segment grew rapidly, posting record revenues.





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Certified
Senior Accountant



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RAILI KRUUSMAA-MOKS Accountant Consultant Certified Accountant * on parental leave



CRUZ

Certified

Accountant

JANE ORUL
Payroll Services
Team Leader
Certified
Accountant
* on parental leave

MARIS MÄNNIK-GAITE

Accountant Consultant

* on parental leave

Accountant of the Year 2015



ALEKSANDRA GENERALOVA International Business Support Services Accountant aleksandra.generalova@bdo.ee +372 5559 5292



MATI MADIK
Accountant Consultant
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+372 501 9037



KÜLLIKE REMMEL Accountant Consultant kyllike.remmel@bdo.ee +372 506 7115

HELEEN LEHISSAAR

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Accountant

+372 507 4164



KÜLLI KINK International Business Support Services Team Leader kylli.kink@bdo.ee +372 5300 0877

ACCOUNTING, PAYROLL AND BUSINESS SUPPORT SERVICES

SERVICES OFFERED



International Accounting



Local Accounting



Payroll and HR Services



Annual Reports



Consolidation



Management Reporting



Tax Compliance Services



Accounting Advisory Services



Virtual Assistant



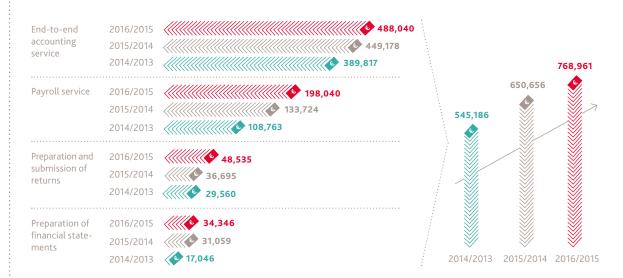
COMPLIANCE WITH REQUIREMENTS. CON-FORMITY WITH DEADLINES. PEACE OF MIND

Well-managed, reliable financial administration plays a key role in running a profitable business. We help companies develop financial administration and make it more efficient. Our experts in Estonia and abroad are familiar with best practice in financial administration and outsourcing for organisations of various sizes. Our hands-on experience enables us to suggest realistic, practical and optimal solutions.

When a company makes the decision to outsource its finance function, it is a crucial milestone. Outsourcing signifies an important step toward advancing the efficiency and cost structure of an organization and creates an opportunity for working with financial talent from across the globe.

To support businesses choosing this path, BDO provides a comprehensive outsourcing service across the full spectrum of finance and accounting functions. BDO is well placed to handle these expectations given our proven experience in outsourcing both in Estonia and abroad. Our success is also the result of the strength of our personal and client-focused approach.

BDO EESTI'S ACCOUNTING, PAYROLL AND BUSINESS SUPPORT SERVICE REVENUE 1 OCTOBER - 30 SEPTEMBER (€)



ACCOUNTING, PAYROLL AND BUSINESS SUPPORT SERVICE HIGHLIGHTS IN 2016/2015

765,000+ RECORD REVENUE

Our accounting and payroll services generated recordhigh revenue of 768,961 euros, 18% up on the previous financial year.

Above all, revenue grew through the win of new service contracts, particularly with larger than average companies.



2016 WINNER OF INTERNATIONAL PAYROLL AWARD 2016

For the second year in a row, our BDO network won the International Payroll Award at the Payroll World Awards ceremony.



RECOGNITION FOR OUTSTANDING CONTRIBUTION TO THE DEVELOPMENT OF THE PROFESSION

BDO Eesti Partner and Head of Business Services and Outsourcing (BSO) Egle Vainula was elected to the Council of the Association of Estonian Accountants. Previously she was a member of the Qualifications Committee.

CONTRIBUTION TO THE DEVELOPMENT OF THE FUTURE OF ACCOUNTING

Our specialists work closely with schools that teach accounting and bookkeeping.

In 2015, our people shared knowledge at:

- ▶ Lääne-Viru College (lecturer Egle Vainula)
- ▶ Olustvere School of Service and Rural Economics (lecturers Marika Soosaar, Maris Männik-Gaite Cruz, Egle Vainula)

In 2016, our people shared knowledge at:

- ▶ Tallinn School of Economics (lecturers Maris Männik-Gaite Cruz, Marika Soosaar, Liina Tiivoja)
- Olustvere School of Service and Rural Economics (lecturers Marika Soosaar, Egle Vainula)

180+ EXPANSION OF A STRONG CLIENT PORTFOLIO

BDO Eesti offers accounting, payroll and other business support services to more than 180 companies. Most of them have been our clients for over three years and 40% for over seven years.

SHARING BEST PRACTICE



We consistently update the Äripäev accounting handbook, which is compiled by BDO Eesti. The handbook is a practical professional tool for qualified specialists and managers. Since autumn 2013, the editor in chief of the Äripäev accounting handbook

has been BDO Eesti's partner and Head of our BSO services Egle Vainula.

15+ CERTIFIED ACCOUNTANTS

In 2016/2015:

- ▶ Gerli Otto and Raili Suuder passed the certification examination and were awarded the qualification of Certified Accountant (Level 5).
- Kristiina Malm passed the certification examination and was awarded the qualification of Certified Accountant (Level 6).

At 30 September 2016, BDO Eesti had 17 certified accountants.

1,000+ SALARIES ON TIME

BDO Eesti's payroll team calculates the salaries of over 1,000 employees.

AVERAGE NUMBER OF STAFF

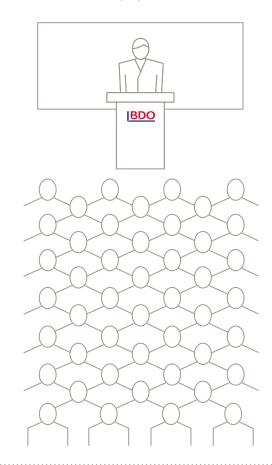






RECORD-LARGE AUDIENCE

In autumn 2016, the lecture "Payroll specialist – much more than a mere payroll calculator" delivered by our payroll services team leader Liina Tiivoja and accountant Marika Soosaar at Tallinn School of Economics attracted an audience of over 100 people.



BEST DIRECTO RESELLER

Our good business partner Directo named BDO Eesti their best reseller in 2015. Directo is an online business software designed for medium-sized and large companies which has a broad range of features and is available in both Estonian and English. BDO Eesti has glad to recommend it to its clients because Directo is innovative, user-friendly and meets the high demands of our clients.





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IFRS, International Valuation
Standards, Business and
Investment Valuations,
Financial Institutions



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Public Sector Accounting and
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Management Processes
Risk Management
Financial Modelling

SERVICES OFFERED



Buying and Selling a Business, Obtaining Capital



Corporate Finance



Valuation and Business Analytics



Financial Advisory, Analyses and Opinions



Tax Opinions, Analyses and Interpretations



Financial Due Diligence, Tax Due Diligence



Financial Restructuring



Management Advisory



Arbitration and Dispute Advisory



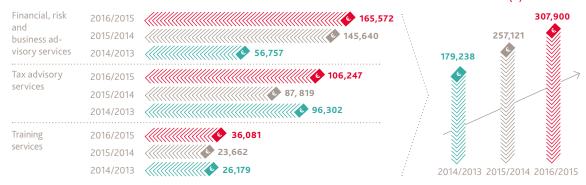
RESULT. GROWTH IN VALUE. PRAGMATIC APPROACH

As one of the world's largest accounting and consulting networks, BDO helps a diverse range of clients with a diverse range of needs. Our professionals are drawn from a variety of multidisciplinary backgrounds, allowing us to deliver insightful, innovative solutions – no matter the challenge, no matter the need. BDO serves clients across the country and around the world as they navigate an increasingly complex tax landscape.

BDO's business advisers know that even the most seasoned professionals need objective advice on the issues that matter most. We understand how to discover and create value within organisations, and strategically maximise that value to get the best results. Our multidisciplinary approach allows us to evaluate businesses and business challenges holistically, and to work collaboratively to create tailored long-term solutions.

Tax issues arise as part of day-to-day operations and during changes, such as corporate restructuring. Tax laws and practices change constantly, and issues related to taxation are often affected by many different regulations. For this reason, it pays to contact a tax professional.

BDO EESTI ADVISORY AND TRAINING SERVICES REVENUE 1 OCTOBER – 30 SEPTEMBER (€)





Taxation for Business Owners



Expatriate Taxation



Fiscal Representation of Non-Residents



International Corporate Taxation



Transfer Pricing



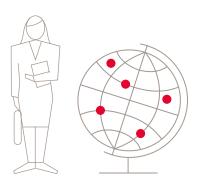
Training

TAX, FINANCIAL AND BUSINESS ADVISORY SERVICE HIGHLIGHTS IN 2016/2015

24

305,000+ RECORD REVENUE

Tax, financial and business advisory services generated record-high revenue of 307,000 euros.



GROWTH IN SPECIALISATION AND INTERNATIONAL REACH

- ▶ BDO Eesti prepared a number of VAT and payroll and corporate tax reviews and assessments.
- ▶ BDO Eesti advised a tourism industry company in the tax aspects of purchase and sale transactions.
- ▶ BDO Eesti worked closely with other members of the BDO network to provide tax and payroll assistance to staff on intra-group assignments.

CERTIFIED ADVISORS AND EXPERTS, BANKRUPTCY AND LIQUIDATION ASSISTANCE



On 15 March 2016, BDO Eesti's corporate finance adviser Laurits Randmann was registered as a certified financial forensics expert.

Laurits is an expert in the valuation of unearned income, valuation of loss incurred, identification of the causes and time of appearance of insolvency, and valuation of shares, trademarks, corporate liquidity and additional capital needs.

SECTOR-SPECIFIC ADVICE VALUATION OF ASSETS

In the reporting period, BDO Eesti carried out valuations of corporate assets, equity interests and businesses, including valuations of partly state-owned entities. In 2016/2015, our professionals appraised companies operating in the following sectors:



Public Services



Media



Logistics/Transportation



Real Estate and IT

ACTING AS AN EXPERT IN DISPUTES

Our specialists acted as financial experts in numerous legal disputes. Besides work performed at the request of public and private sector clients, we carried out valuations for litigation purposes and provided expert advice and opinions on the corporate recovery plans of several Estonian companies.



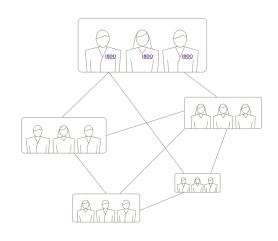
DUE DILIGENCE

BDO Eesti conducted numerous financial and tax due diligence engagements.

We also advised companies expanding outside Estonia in matters related to managing financial, tax and legal due diligence projects in Scandinavia.

SECTOR-SPECIFIC ADVICE COOPERATION IN THE NETWORK

BDO Eesti advised catering, electronics, real estate and IT companies in the acquisitions and disposals of businesses. In providing advice on cross-border transactions, we cooperated with other members of the BDO network.



RESTRUCTURING

BDO Eesti participated in the restructuring of several companies, some of which were owned or partly owned by the local government/public sector.

AVERAGE NUMBER OF STAFF







AUDIT FIRM <u>\$\alpha\$</u>1 BDO EESTI AS GROUP ANNUAL REPORT 2016/2015

TRAINING FOR EVERY LEVEL AND EVERY NEED





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SVEN SILING Partner Head of Training sven.siling@bdo.ee +372 517 9833 Accounting and Reporting Auditors' Activities Consolidation and Business Combinations



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Accounting

LAILE KAASIK Partner laile.kaasik@bdo.ee +372 5628 8139 Accounting and Reporting Auditors' Activities





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Prevention and Detection



LIINA OOLUP liina.oolup@bdo.ee +372 5664 6872 Auditors' Activities Consolidation and Business Combinations



ANDRES SOOSALU andres.soosalu@bdo.ee +372 524 3007 Assurance Reporting on Packaging Reporting



BARBARA ASU barbara.asu@bdo.ee +372 5695 2449 Corporate Finance Valuation Financial Instruments



EGLE VAINULA Partner egle.vainula@bdo.ee +372 518 5812 Accounting and Reporting Changes in Estonian Accounting Standards Board Guidelines



SULEV LUIGA Managing Partner, CEO sulev.luiga@bdo.ee +372 504 3175 Management Processes and Accounting Risk Management Financial Modelling



LIINA TIIVOIA Payroll Services Team Leader Certified Accountant liina.tiivoja@bdo.ee +372 524 5306 Payroll and HR Services



KARIN LUIGA karin.luiga@bdo.ee +372 505 6330 Corporate Marketing and Communication

MARGIT VIKS

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Auditors' Activities

Accounting and Reporting

TRAINING AND LECTURER SERVICES

POPULAR TRAINING COURSES



Preparation of Financial Statements



Statements of Cash Flows



Cars and Taxes



Equity Transactions





Public Sector and Local Government Accounting



IFRS



Business Combinations and Consolidated Accounts

EXPERTISE. COMPETITIVE EDGE. APPLICABILITY

Experienced practitioners can provide solutions to current and future problems. We are passionate accountancy experts and keep up to date about developments and changes in the area. We value continuous professional development and contribute to making sure that the Estonian financial landscape would be informed about the latest developments in the world and could apply the knowledge in the best possible way.

Our trainers teach by drawing examples from their hands-on professional experience. Thanks to their considerable expertise, our lecturers can combine theory and practice into appropriate client-specific solutions. We create prerequisites for discussion and debate in a knowledge-based accounting community.

BDO Eesti provides training in a diversity of subjects ranging from taxes to the Estonian GAAP and IFRS. -> BDO Eesti provides training in a diversity of subjects ranging from taxes to accounting (including the Estonian GAAP and IFRS) and auditing.

In addition, we can deliver tailor made training courses in different formats that fit your needs and interests. Our lecturers can be seen and heard at professional conferences, seminars and workshops and we offer conference moderation and organization services.

Our training events are highly appreciated by financial specialists and traditionally receive excellent feedback.

TRAINING PROVIDED TO OTHERS (IN HOURS)







CLIENTS' FEEDBACK ON BDO'S TRAINING

"The training was very informative and exciting. The lecturers were experienced and could provide specific examples." Mergers & acquisitions and business valuations

"Very relevant information. Presentation was explicit, to the point and clear. All questions were answered. Concise and pertinent. Made you think." Faster and more effectively: Tax implications of the sale and lease of real estate

"Answered all the questions that used to bother me in connection with the subject." How to implement packaging reporting and have it successfully checked by auditors?



Accounting for Biological Assets



Assurance Reporting on Packaging Reporting





Financial Mathematics

TRAINING AND LECTURER SERVICE HIGHLIGHTS IN 2016/2015

45+

In 2016/2015, we arranged a record number of training courses.

DEDICATED LEADER

To achieve our targets, we strengthened the team with Training and Development Coordinator Sandra Lindermann.

Sandra graduated from Tallinn University in 2012 with an MA (*cum laude*) in Andragogy. Before joining BDO, she was Chief Staff Development Specialist at Tallinn City Office.

TRAINING PROVIDED TO EXPERTS

BDO Eesti's experts have shared their knowledge at training courses arranged by the Estonian Association of Auditors:

- ▶ Consolidation Workshop
- ▶ Auditor's Report: Causes, Consequences, Solutions
- ▶ Special-Purpose Engagements
- ▶ Auditor's Image
- Review Workshop

TRAINING PROVIDED TO BANKS

In 2016/2015, BDO Eesti's experts provided training to the teams of several major banks.

OPINION LEADERS AT PROFESSIONAL CONFERENCES

- ▶ Sulev Luiga, Sven Siling, Laile Kaasik, Karin Luiga and Barbara Asu spoke at Pärnu Accounting Conference "Report the Story Behind the Numbers".
- ▶ Barbara Asu and others spoke at the Estonian Association of Appraisers International Annual Conference 2015.
- Sven Siling and others spoke at the Internal Audit Annual Conference 2015 "My People Inspiration and Fear".
- Sven Siling spoke at the Chamber of Commerce and Industry seminars "Accounting Update 2016 and Preparation of Financial Statements for 2015" in Tallinn and Tartu.
- ▶ Karin Luiga spoke on "How to Move to the Next Level? Reporting as Communication" at the Accountants' Development Day TASE 2016.
- ▶ Sven Siling and others made a presentation "Accounting Update 2016" at the Estonian Accountants Conference: Spring Mission 2016.

GROWTH AND DEVELOPMENT OF PARTNERSHIPS

BDO Eesti cooperates with many training companies and organisations

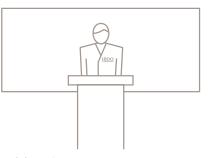


TRAINING PROVIDED TO FUTURE SPECIALISTS

BDO provides advice and insights at the career seminars of Tallinn University of Technology.

- ▶ "Accounting Basics for Starting Entrepreneurs"
- ▶ "Personal Branding"
- ▶ "Who Will Gain the Upper Hand You or Time? Time Management ABC"
- ▶ "Accounting Dusty Spreadsheets or Exciting Brainwork?"
- ▶ "Start from Audit a Great Opportunity to Start Your Career in Finance"
- ▶ "Special Features of Public Sector Accounting"

Many of the topics were in the career seminars calendar both during the autumn and the spring term.



BDO EESTI CONSOLIDATED FINANCIAL STATEMENTS 29



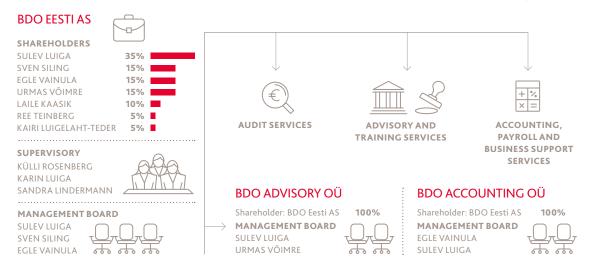
- ▶ BDO is a global network of independent audit and advisory firms.
- ▶ BDO Eesti AS is a limited company incorporated in Estonia (a company defined as *aktsiaselts* under Estonian law). Its governing bodies are the general meeting, a three-member supervisory board and a three-member management board.
- ▶ For the provision of auditors' professional services, BDO Eesti AS holds the licence of an audit firm granted by the Ministry of Finance of the Republic of Estonia on 8 March 2010 (licence ≜ 1).
- The subsidiaries BDO Advisory OÜ and BDO Accounting OÜ are limited companies incorporated in Estonia (companies defined as osaühing under Estonian law). Their governing bodies are the general meeting (the sole shareholder is represented by the management board of BDO Eesti AS), and a one- to two-member management board. BDO Accounting OÜ and BDO Advisory OÜ are not registered as audit firms as defined in the Estonian Auditors Activities Act.
- We offer the following professional services in Estonia:
 - ▶ audit services
 - ▶ business support services
 - ▶ advisory services
 - training services
- ▶ The financial year of the members of BDO Eesti group begins on 1 October and ends on 30 September.
- ▶ The functional and presentation currency is the euro (€). All figures have been rounded to the nearest whole euro.
- ▶ These financial statements have been prepared taking into account all significant events affecting the valuation of assets and liabilities that occurred between **the reporting date of 30 September 2016** and the date on which the financial statements were authorised for issue.
- The management board authorised these consolidated financial statements for issue on 15 March 2017.
- ▶ Under the Republic of Estonia Commercial Code, the annual report prepared by the management board and approved by the supervisory board, which also includes the consolidated financial statements, must also be

approved by the general meeting. The general meeting may decide not to approve the annual report prepared and submitted by the management board and may demand that a new report be prepared.



The consolidated financial statements of BDO Eesti group for the financial year ended 30 September 2016 comprise BDO Eesti AS (the parent company), BDO Advisory OÜ (a wholly-held subsidiary).

BDO EESTI AS'S LEGAL AND MANAGEMENT STRUCTURE AND OWNERS As at 30 September 2016



To maintain BDO membership, we must offer in Estonia a proper range of the core services, have appropriate quality & risk management systems and professional liability insurance cover, and observe a high standard of professionalism and ethics.

We offer our solutions in order to help clients focus on what is important, simplify issues that are complex, prevent and mitigate risks and, where necessary, outsource their business support services. We have been operating in the Estonian audit and advisory services market for 25 years and have developed a client-based approach to service offering. Consideration of the specific needs and values of each client allows us to build long-term client relationships.



BDO EESTI AS

Audit firm activity licence & 1
Registry no. 10309827
VAT no. EE100081343

BDO ADVISORY OÜ

Registry no. 12252563 VAT no. EE100081343

BDO ACCOUNTING OÜ

Registry no. 14031566 VAT no. EE100081343 A. H. Tammsaare tee 47 11316 Tallinn Ph: +372 627 5500 adm@bdo.ee www.bdo.ee

IFRS



The consolidated financial statements of BDO Eesti AS have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter IFRS).

IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS EFFECTIVE FOR THE PARENT OF THE GROUP FROM OR AFTER 1 OCTOBER 2015

IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS EFFECTIVE FOR THE PARENT FROM 1 OCTOBER 2015

- Annual Improvements to IFRSs 2010-2012 Cycle (adopted by the European Union on 17 December 2014, effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 Cycle (adopted by the European Union on 18 December 2014, effective for annual periods beginning on or after 1 January 2015)
- Amendments to IAS 19 *Employee Benefits* (adopted by the European Union on 17 December 2014, effective for annual periods beginning on or after 1 February 2015)

According to our assessment, these improvements and amendments did not have any significant effect on the financial information presented in our consolidated financial statements.

IFRS, AMENDMENTS
TO IFRS AND
INTERPRETATIONS
EFFECTIVE FOR THE
PARENT OF THE
GROUP FROM OR
AFTER 1 OCTOBER
2016



IFRS. AMENDMENTS TO IFRS AND INTERPRETATIONS EFFECTIVE FOR THE PARENT FROM 1 OCTOBER 2016

- Amendments to IFRS 11 *Joint Arrangements* (adopted by the European Union on 24 November 2015, effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 *Presentation of Financial Statements* (adopted by the European Union on 18 December 2015, effective for annual periods beginning on or after 1 January 2016)
- ▶ Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (adopted by the European Union on 2 December 2015, effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* (adopted by the European Union on 23 November 2015, effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 Separate Financial Statements (adopted by the European Union on 18 December 2015, effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (adopted by the European Union on 15 December 2015, effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (adopted by the European Union on 22 September 2016, effective for annual periods beginning on or after 1 January 2016)

According to our assessment, early application of the amendments and improvements to IFRS issued and adopted as at the date these consolidated financial statements are authorised for issue but effective for subsequent financial years would not have a significant effect on the information presented in our consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ▶ IFRS 15 Revenue from Contracts with Customers and amendments to IFRS 15 (adopted by the European Union on 22 September 2016, effective for annual periods beginning on or after 1 January 2018).
- ▶ IFRS 9 Financial Instruments (adopted by the European Union on 22 November 2016, effective for annual periods beginning on or after 1 January 2018).

According to our assessment, early application of the amendments and improvements to IFRS issued and adopted as at the date the our consolidated financial statements are authorised for issue but effective for subsequent financial years would not have a significant effect on the information presented in our consolidated financial statements.



IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS EFFECTIVE FOR THE PARENT OF THE GROUP FROM OR AFTER 1 OCTOBER 2017

- ▶ IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014, effective for annual periods beginning on or after 1 January 2016, the European Commission has decided to wait with the endorsement process until the final standard is issued)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (issued on 11 September 2014, the endorsement process has been postponed, no effective date has been determined)
- Amendments to IAS 12 *Income Taxes* (issued on 19 January 2016, effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 7 Statement of Cash Flows (issued on 29 January 2016, effective for annual periods beginning on or after 1 January 2017)
- ▶ IFRS 16 Leases (issued on 13 January 2016, effective for annual periods beginning on or after 1 January 2019)
- ▶ Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016, effective for annual periods beginning on or after 1 January 2018)
- ▶ Amendments to IFRS 2 *Share-based Payment* (issued on 20 June 2016, effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 4 *Insurance Contracts* (issued on 12 September 2016, effective for annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2017 and 1 January 2018)
- ▶ IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40 *Investment property* (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018)

It is expected that in 2017 the European Union will adopt all of the above new standards, amendments, improvements and interpretations issued by the International Accounting Standards Board (IASB) except for IFRS 14 Regulatory Deferral Accounts in the case of which the European Commission has decided to wait with the endorsement process until the final standard is issued and amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures whose effective date has not yet been determined.

The above new standards and amendments may have a material effect on our consolidated financial statements but we have not yet completed the assessment of their effect.



NEW STANDARDS, AMENDMENTS
AND INTERPRETATIONS ISSUED BY
IASB WHICH HAVE NOT YET BEEN
ADOPTED BY THE EUROPEAN UNION

EVENTS AFTER THE REPORTING PERIOD	Reporting of events that occur after the reporting date but before the date when the financial statements are authorised for issue depends on whether the event is adjusting or non-adjusting. An adjusting event after the reporting period is an event that provides evidence of conditions that existed at the end of the reporting period and we adjust the amounts recognised in the financial statements to reflect such an event. We do not adjust the financial statements to reflect a non-adjusting event after the reporting period. Instead, such events, if they are material, are disclosed in the notes to the financial statements.
ACCRUAL BASIS	We recognise transactions in our financial statements using the accrual basis of accounting and activity-based cost accounting. As an exception, we prepare the statement of cash flows using the cash basis of accounting.
CONSOLIDATION	In preparing consolidated financial statements, we combine the financial statements of the parent and the subsidiaries line by line . We consolidate an entity from the date the group obtains control of it until the date that control is lost. We eliminate intragroup balances, transactions, and resulting unrealised profits. We also eliminate unrealised losses unless they indicate impairment. All group entities use uniform accounting policies.
FOREIGN CURRENCY TRANSACTIONS AND FOREIGN CURRENCY ASSETS AND LIABILITIES	We record a foreign currency transaction in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency quoted by the European Central Bank at the date of the transaction. At the reporting date, we translate foreign currency financial items using the closing exchange rate quoted by the European Central Bank for the currency. We recognise any exchange differences in profit or loss within other income and other expenses as appropriate.
FAIR VALUE	Fair value is the amount for which an asset could be exchanged or a liability settled between independent parties in an orderly arm's length transaction.
AMORTISED COST	Amortised cost is the amount measured at initial recognition minus principal repayments and any reduction for impairment.
RECOVERABLE AMOUNT	Recoverable amount is the higher of an asset's fair value (less costs to sell) and value in use. Value in use is the present value of the estimated future cash flows expected to arise from the continuous use of an asset and from its disposal at the end of its useful life. In discounting, we apply the yearly approach.
CURRENT AND NON-CURRENT ASSETS	An asset is classified as current when: it is cash or a cash equivalent; it is expected to be consumed or realised within 12 months after the reporting period; it is expected to be realised in the normal operating cycle; or it is held primarily for the purpose of trading; All other assets are classified as non-current.
CURRENT AND NON-CURRENT LIABILITIES	A liability is classified as current when: It is expected to be settled in the normal operating cycle; It is held primarily for the purpose of trading; It is due to be settled within 12 months after the reporting period; It is group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.
EQUITY AND EQUITY INSTRUMENTS	Equity (net assets) is the difference between assets and liabilities at the reporting date. An equity instrument is a contract that evidences a residual interest in the group's net assets.

Owners are the holders of instruments classified as equity instruments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

in deferred tax assets or deferred tax liabilities.

ultimately distributed.

notes.

We recognise the income tax payable on the distribution of dividends as a liability and an expense in the period in which the dividends are declared regardless of the period for which the dividends are declared or the period in which the dividends are

We do not recognise the contingent income tax liability reflecting the maximum obligation that would arise if all of the retained earnings were distributed as dividends in the statement of financial position. We disclose this information in the

WE CLASSIFY FINANCIAL ASSETS AND LIABILITIES TO THE FOLLOWING FINANCIAL ASSETS AND LIABILITIES **CATEGORIES:** FINANCIAL ASSETS Loans and receivables Cash and cash equivalents Trade and other receivables FINANCIAL LIABILITIES Financial liabilities at amortised cost Trade payables Group entities' financial assets and liabilities are non-derivative items with fixed or determinable payments which are not quoted in an active market. We recognise financial assets and liabilities using trade date accounting. Upon initial recognition, we measure a financial asset or a financial liability at its fair value plus any attributable transaction costs. After initial recognition, we measure a financial asset or a financial liability at its amortised cost using the effective interest rate method. We measure each asset and liability separately. Due to their short settlement terms, the carrying amounts of our financial assets and liabilities approximate their fair values. At the end of each reporting period we assess whether there is any evidence that a financial asset is impaired (or the value of a financial liability has increased). In the case of all categories of financial assets, an impairment loss is the amount by which the carrying amount of the asset exceeds the present value of its estimated future cash flows (in the case of financial liabilities we measure the amount by which the present value of the estimated future cash flows exceeds the carrying amount). When we identify impairment, we reduce the carrying amount of the financial asset (in the case of a loss incurred on a financial liability we increase the carrying amount of the financial liability) and recognise the loss incurred in profit or loss. We recognise reversals of impairment losses in profit or loss in the period in which the adjusting event occurs. We measure revenue arising on transactions at the fair value of the consideration received or receivable, taking into account **RECOGNITION OF REVENUE AND** any trade discounts and volume rebates allowed. **EXPENSES USING THE STAGE OF** We recognise revenue from services whose provision has been completed or is in progress but which have not yet been **COMPLETION METHOD** delivered to customers using the stage of completion method, whereby contract revenue is matched with contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue and expenses that can be attributed to the proportion of work completed. A lease is an agreement whereby the less or conveys to the lessee in return for a payment or a series of payments the right to use an agreement whereby the less or conveys to the lessee in return for a payment or a series of payments the right to use an agreement whereby the less or conveys to the lessee in return for a payment or a series of payments the right to use an agreement whereby the less or conveys to the less of payments or conveys to the less of payments or conveys to the less of the less o**IFASES** asset for an agreed period of time. We classify a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee as a finance lease. We classify all other leases as operating leases. We recognise lease payments under an operating lease as an expense on a straight-line basis over the lease term. Under the Estonian Income Tax Act, corporate profit for the year is not subject to income tax. Income tax is levied on payments CORPORATE INCOME TAX that qualify as profit distributions such as dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. Owing to the specific nature of the taxation system, there are no differences between the carrying amounts and tax bases of the assets and liabilities of companies registered in Estonia that could result

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TAX RATES THAT AFFECT EXPENSES

TAX	TAX RATE
Corporate income tax on dividends	Until 31 December 2014 21/79 and from 1 January 2015 20/80 of the net distribution
Social security tax	33% of payments made to employees and fringe benefits
Unemployment insurance contribution	Until 31 December 2014 1% and from 1 January 2015 0.8% of payments made to employees
Income tax on fringe benefits	Until 31 December 2014 21/79 and from 1 January 2015 20/80 of fringe benefits provided to employees
Corporate income tax on non-business expenses	Until 31 December 2014 21/79 and from 1 January 2015 20/80 of non-business expenses

FORMULAS USED

Gross margin	gross profit / revenue x
	100%
Gross profit per employee	gross profit / operating segment's (segments') period's average number of employees
EBITDA	operating profit + depreciation, amortisation and impairment losses on non-current assets – other income + other expenses
EBITDA per employee	EBITDA / period's average number of employees
Expenses per employee	Expenses / period's average number of employees
Working capital	current assets – current liabilities
Revenue per employee	Revenue / operating segment's (segments') period's average number of employees
Equity (net assets)	assets – liabilities
Return on equity (ROE)	net profit / period's average equity x 100%
Period's average	(1/2 x period's opening balance + 1/2 x period's closing balance) / (number of balances – 1)
Current ratio	financial assets / financial liabilities
Operating margin	operating profit / revenue x 100%

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires management to select significant accounting and reporting policies and to exercise judgement in the use of forward-looking estimates and assumptions. Although management reviews its judgements and estimates on a regular basis and they are based on historical experience and the best available knowledge and information, actual results may differ from those estimates. We recognise changes in management's estimates in profit or loss in the period in which the estimate is revised. Management has to make significant estimates and judgements in the following accounting areas.

Recognition of engagement revenues and expenses using the stage of completion method (notes 2 and 6). We recognise revenue from services whose provision has been completed or is in progress but which have not yet been delivered to customers using the stage of completion method. To prevent material inaccuracies in the recognition of receivables and payables and revenue and expenses, the expected outcome of the revenues and expenses of each engagement is subject to regular review by different levels of management in the course of which we analyse any deviations from the budget and adjust our projected revenue and expense outcomes whenever necessary.

Measurement of the impairment of financial assets (notes 1, 2 and 13). At the end of each reporting period we assess whether there is any evidence that a financial asset is impaired. We recognise an impairment loss when the carrying amount of an asset exceeds its recoverable amount. In deciding whether an asset should be written down in part or in full, we take into account the debtor's financial position, the estimated cash flows, and the value of collateral, if any. Indications of impairment include defaults and delays in the proper settlement of payments, insolvency, bankruptcy or other information indicating a decrease in future cash flows and delinquency in meeting commitments.

Measurement of the amount and determination of the disbursement period of employee benefits (notes 3, 7, 8 and 9). We recognise the holiday pay liability for an employee based on the number of holiday days earned by the employee and the employee's average remuneration calculated in accordance with legal requirements in force at the reporting date. Actual benefits paid to employees may prove different because the average remuneration of the period in which the holiday is taken may differ.

The obligation to make profit-sharing and bonus payments arises from employment contracts not agreements with the owners of group entities. Hence, we recognise profit-sharing and bonus payments as expenses, not as distributions of profit.

Termination benefits arise primarily when we decide to terminate an employee's employment. Accordingly, we recognise termination benefits only when we are demonstrably committed to terminate the employment of an employee or to encourage voluntary redundancy.

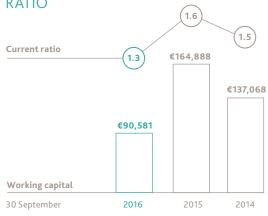
Classification of leases into finance and operating leases (note 12). Where the contractually agreed term of use is limited to only part of the estimated useful life of the asset and the significant risks and rewards incidental to ownership of the asset do not transfer to a group entity, we classify the lease as an operating lease. In making our judgement, we rely, among other things, on our historical experience according to which we generally do not exercise the purchase option and return the assets to the lessor.

Recognition of the rental of office premises as an administrative expense (notes 9 and 12). We recognise the full amount of rental charged for office premises as an administrative expense and the expense of the internal support services segment. If office rental expenses were allocated to other operating segments, the gross profit (of the operating segments) would decrease by the amount of the allocated rental expenses. The group's operating and net profit would not change.

ADDITIONAL ASSURANCE THROUGH HONESTY AND INTEGRITY



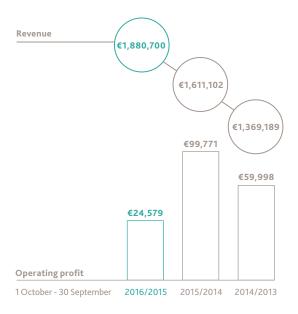
WORKING CAPITAL AND CURRENT RATIO



BDO EESTI CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September						
In euros	Note	2016	2015	2014				
Cash and cash equivalents	1	99,175	186,319	169,430				
Trade and other receivables	2	252,953	244,356	220,471				
Total current assets		352,128	430,675	389,901				
TOTAL ASSETS		352,128	430,675	389,901				
Payables and deferred income	3	261,547	265,787	252,833				
Total current liabilities	***************************************	261,547	265,787	252,833				
Share capital	4	60,000	60,000	60,000				
Own shares	4	0	-13,200	-13,200				
Statutory capital reserve	4	6,000	6,000	6,000				
Retained earnings	5	24,581	112,088	84,268				
Equity attributable to owners of the parent	***************************************	90,581	164,888	137,068				
TOTAL LIABILITIES AND EQUITY		352,128	430,675	389,901				

REVENUE AND OPERATING PROFIT



BDO EESTI CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 Octo	ober - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Revenue	6	1,880,700	1,611,102	1,369,189
Cost of sales	7	-1,424,921	-1,110,346	-938,979
Gross profit		455,779	500,756	430,210
Marketing expenses	8	-118,446	-92,511	-67,467
Administrative expenses	9	-310,073	-311,055	-302,237
Other income	10	-2,681	2,581	-508
Operating profit		24,579	99,771	59,998
Finance costs	10	0	-442	-1,037
Profit before tax		24,579	99,329	58,961
Income tax expense	10	-22,418	-14,302	-5,754
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		2,161	85,027	53,207
Of which profit attributable to owners of the parent		2,161	85,027	53,207
Basic earnings per share	5	4	167	96
Diluted earnings per share	5	4	167	96

BDO EESTI CONSOLIDATED FINANCIAL STATEMENTS

BDO EESTI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		1 Oct	ober - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AT BEGINNING OF PERIOD		164,888	137,068	163,861
Share capital	4, 14	60,000	60,000	60,000
Own shares at beginning of period		-13,200	-13,200	0
Sale/purchase of own shares		13,200	0	-80,000
Change in value of own shares		0	0	66,800
Own shares at end of period	4, 14	0	-13,200	-13,200
Statutory capital reserve	4, 14	6,000	6,000	6,000
Retained earnings at beginning of period		112,088	84,268	97,861
Profit and comprehensive income for the period		2,161	85,027	53,207
Dividends declared		-89,668	-57,206	0
Change in value of own shares	4	0	0	-66,800
Retained earnings at end of period		24,581	112,088	84,268
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AT END OF PERIOD		90,581	164,888	137,068

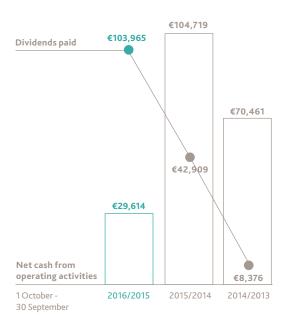
DIVIDENDS DECLARED AND AVERAGE EQUITY



BDO EESTI CONSOLIDATED STATEMENT OF CASH FLOWS

		1 Oct	ober - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Profit for the year		2,161	85,027	53,207
Adjustments for:				
Income tax expense	10	22,418	14,302	5,754
Interest expense	10	0	442	1,037
Change in receivables and prepayments	2	-8,597	-23,886	-55,650
Change in payables and deferred income	3	-4,240	12,954	89,263
Of which change in payables related to financing activities	3	17,872	15,880	-23,150
Net cash from operating activities		29,614	104,719	70,461
Net cash from investing activities		0	0	0
Dividends paid		-103,965	-42,909	-8,376
Transactions with own shares		13,200	-27,998	-52,002
Income tax paid on profit distributions		-25,993	-16,481	-2,227
Interest paid	10	0	-442	-1,037
Net cash used in financing activities		-116,758	-87,830	-63,642
NET CASH FLOW		-87,144	16,889	6,820
Cash and cash equivalents at beginning of period	1	186,319	169,430	162,610
Cash and cash equivalents at end of period		99,175	186,319	169,430
Decrease/increase in cash and cash equivalents		-87,144	16,889	6,820

DIVIDENDS PAID AND NET CASH FROM OPERATING ACTIVITIES



NOTE 1: CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise demand and term deposits which are subject to a low risk of changes invalue and can be converted to known amounts of the functional currency within up to three months.

We do not report unused portions of overdraft facilities or client funds under our custody and control as cash equivalents (see also note 16).

We present cash flows in the statement of cash flows classified by activity, whereby:

- Operating activities are group entities' principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities are the acquisitions and disposals of long-term assets and other investments not included in cash equivalents.
- ▶ Financing activities are activities that result in changes in the size and composition of the contributed equity of the parent and borrowings.

Cash flows by operating segments are disclosed in note 11. Cash and cash equivalents by currency and seasonal fluctuations in cash flows are disclosed in note 13.

	30 September						
In euros	Note	2016	2015	2014			
Parent company's demand deposits with banks	14	51,108	130,514	157,586			
Subsidiaries' demand deposits with banks	14	48,067	55,805	11,844			
Total cash and cash equivalents	11	99,175	186,319	169,430			
Of which with banks with Moody's (2016) Aa3 credit rating		99,175	186,319	169,430			
Of which cash and cash equivalents in euros (€)		99,175	186,319	169,430			
	······	30	September				
In euros		2016	2015	2014			
Unused portion of overdraft facility		100,000	75,000	0			
Client funds under the custody of BDO Eesti		20,858	33.588	30.008			

NOTE 2: TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortised cost and comprise receivables arising in the ordinary course of our business including receivables for services provided or goods sold, prepaid expenses, prepaid taxes and prepayments to employees, contractors and suppliers.

		30 September							
In euros	Note	2016	2015	2014					
Trade receivables		155,206	185,566	186,378					
Allowance for impairment		0	-450	0					
Total trade receivables		155,206	185,116	186,378					
Due from customers under the stage of completion method	6	68,471	20,405	6,020					
Total accrued income		68,471	20,405	6,020					
Other prepayments and receivables		15,950	28,471	17,402					
Prepayments and prepaid expenses related to employees		13,326	10,364	10,671					
Total prepayments and other receivables		29,276	38,835	28,073					
Total trade and other receivables	11	252,953	244,356	220,471					

AGEING OF RECEIVABLES AND PAYABLES

	30 September	RECEIVABLES	PAYABLES	
2016	1–30 days to the due date 31– to the due date Past due	204,466 32,102 16,385	230,406 [16,238] [14,903]	1–30 days to the due date 31–90 days to the due date Without a specific due date
2015	1–30 days to the due date	162,015	226,041	1–30 days to the due date
	31– to the due date	42,767	21,180	31–90 days to the due date
	Past due	39,574	18,566	Without a specific due date
2014	1–30 days to the due date	157,164	201,582	1–30 days to the due date
	31– to the due date	31,174	33,752	31–90 days to the due date
	Past due	32,133	17,499	Without a specific due date

		3() September	
In euros	Note	2016	2015	2014
Payables to lessors and suppliers		43,177	57,415	72,962
Total trade payables		43,177	57,415	72,962
Remuneration payable to employees and contractors		99,806	101,296	71,217
Taxes payable		87,423	68,052	55,571
Advances from clients and other deferred income		16,238	2,586	1,832
Accrued holiday pay liabilities		14,903	18,566	17,499
Dividends payable		0	14,297	0
Income tax payable on dividends and profit distributions		0	3,575	5,754
Payable for repurchase of own shares		0	0	27,998
Total trade and other payables – financial liabilities		218,370	208,372	179,871
Total trade and other payables	11	261,547	265,787	252,833

NOTE 3: TRADE PAYABLES

Payables and deferred income are measured at amortised cost and comprise items arising in the ordinary course of business including advances from clients, trade payables, payables to employees and contractors, taxes payable and deferred income.

Parent company's shareholders and their ownership interests:

•••••	30 September									
			2016			2015			2014	
In euros	Note	%	No.	Par value	%	No.	Par value	%	No.	Par value
Sulev Luiga		35%	210	21,000	30%	180	18,000	30%	180	18,000
Sven Siling		15%	90	9,000	15%	90	9,000	15%	90	9,000
Egle Vainula		15%	90	9,000	15%	90	9,000	15%	90	9,000
Urmas Võimre		15%	90	9,000	15%	90	9,000	15%	90	9,000
Laile Kaasik		10%	60	6,000	10%	60	6,000	10%	60	6,000
Kairi Luigelaht-Teder		5%	30	3,000	5%	30*	3,000	5%	30*	3,000
Ree Teinberg		5%	30	3,000	0%	0	0	0%	0	0
BDO Eesti AS (own shares)		0%	0	0	10%	60*	6,000	10%	60*	6,000
Total shares and share capital	14	100%	600	€60,000	100%	600	€60,000	100%	600	€60,000

^{*} In accordance with the provisions of the Estonian Commercial Code or a shareholder agreement, do not participate in profit-sharing and voting.

	***********				30) Septer	nber			
		20	16/201!	5	20)15/201	4	2	014/2013	3
In euros	Note	%	No.	Amount	%	No.	Amount	%	No.	Amount
Own shares at par value at beginning of period		10%	60	6,000	10%	60	6,000	0%	0	0
Carrying amount of own shares at beginning of period		10%	60	-13,200	10%	60	-13,200	0%	0	0
Purchase and sale of own shares		10%	60	13,200	0%	0	0	10%	60	-80,000
Write-down of own shares		0%	0	0	0%	0	0	10%	60	66,800
Carrying amount of own shares at end of period		0%	0	0	10%	60	-13,200	10%	60	-13,200
Total own shares	14	0%	0	0	10%	60	-13,200	10%	60	-13,200

NOTE 4: EQUITY AND SHAREHOLDERS

Share capital comprises the par value of the ordinary shares issued by the parent company that have been paid for.

Own shares comprise the parent company's ordinary shares at acquisition cost that have been repurchased by group entities. Own shares have been written down to fair value because their fair value is lower than their acquisition cost.

Repurchased own shares are recognised in the statement of financial position as an item reducing equity, not as an investment. A decrease in the value of equity instruments is recognised as a decrease in equity, not as an expense. We measure the carrying amount of the parent company's repurchased shares in accordance with the terms of the shareholder agreement. When the company holds up to 10% of its own shares, there is no specific term during which the own shares have to be disposed of. In accordance with the provisions of the Estonian Commercial Code, own shares do not participate in profit-sharing and voting.

Statutory capital reserve is a reserve set up in accordance with the requirements of the Commercial Code using transfers from the parent company's net profit. The reserve amounts to 1/10 of share capital. We may use the capital reserve for covering losses when the losses cannot be covered with retained earnings and increasing share capital through a bonus issue.

Minimum requirements to equity (net assets) are provided in note 13 that describes capital management.

ARTICLES OF ASSOCIATION OF BDO EESTI AS

Share capital at par value	60,000
Maximum authorised share capital	100,000
Minimum authorised share capital	25,000
Number of registered ordinary shares	600
Par value of an ordinary share (euros per share)	100
Statutory capital reserve of 1/10 of share capital	6,000

NOTE 5: RETAINED EARNINGS

Retained earnings comprise the total amount of accumulated profits and losses which we may, subject to the restrictions of the Commercial Code, distribute as the gross dividend to the parent company's owners. The table on the right outlines our retained earnings, distributable profit, maximum amount that could be distributed as the net dividend and income tax payable on the potential maximum net dividend as at the reporting date.

Basic earnings per share are calculated by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. In calculating the average number of shares, we exclude repurchased own shares and shares not participating in profit-sharing. Since the company has no dilutive share options, diluted earnings per share equal basic earnings per share.

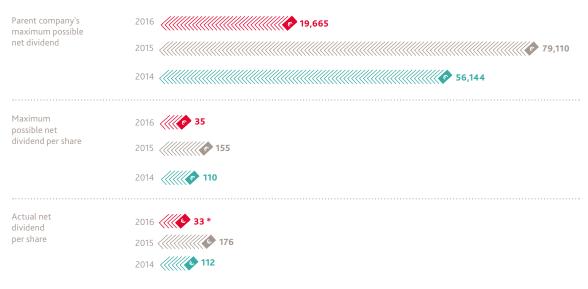
Dividends are recognised when they have been approved by the general meeting as a reduction of retained earnings and a current liability to shareholders regardless of the period for which the dividend has been declared or the period in which the dividend will actually be distributed.

			0 September	
In euros	Note	2016	2015	2014
Parent company's consolidated retained earnings		24,581	112,088	84,268
Parent company's unconsolidated retained earnings	14	6,037	95,013	76,915
Adjustment for carrying amount of investments in subsidiaries	14	-20,000	-10,000	-10,000
Adjustment for value of subsidiaries' net assets under the equity method	14	38,544	27,076	17,353
Parent company's adjusted unconsolidated retained earnings		24,581	112,088	84,268
Distribution restriction resulting from own shares	4	0	-13,200	-13,200
Parent company's distributable retained earnings (potential maximum gross dividend)		24,581	98,888	71,068
Income tax rate for gross dividend		20%	20%	21%
Income tax rate for net dividend	10	20/80	20/80	21/79
Income tax liability that would arise if all of the distributable retained earnings were distributed as dividends		-4,916	-19,778	-14,924
Parent company's maximum possible net dividend		19,665	79,110	56,144

EARNINGS PER SHARE

		1 Octo	ber - 30 Septeml	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Profit attributable to owners of the parent		2,161	85,027	53,207
Weighted average number of shares outstanding during the period	4	555	510	555
Basic earnings per share		4	167	96
Diluted earnings per share		4	167	96

DIVIDEND PER SHARE



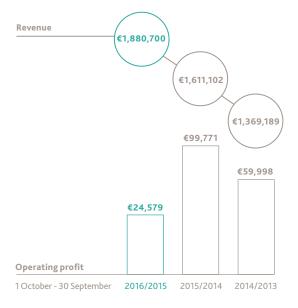
^{*} Shareholders have not yet approved the dividend for the year ended 30 September 2016.

			1 October - 3	30 September
In euros	Note	2016/2015	2015/2014	2014/2013
Audit services (IFAC ISA)		645,318	588,497	570,939
Review services (IFAC ISRE)		58,471	67,530	73,955
Other assurance services (IFAC ISAE)		62,459	35,233	2,700
Related services (IFAC ISRS)		6,630	4,915	2,700
Revenue change under stage of completion method	2	30,961	7,150	-5,529
Total for audit services	11	803,839	703,325	644,765
Accounting services (Estonian GAAP)		495,158	462,134	421,416
Payroll and HR services		198,040	133,724	108,763
Accounting services (IFRS)		67,735	35,058	0
Other business support services		10,023	17,745	15,007
Revenue change under stage of completion method	2	-1,995	1,995	0
Total for accounting and business support services	11	768,961	650,656	545,186
Corporate finance services		113,723	131,421	42,236
Tax and legal advisory services		106,247	87,819	96,302
Training services		36,081	23,662	26,179
Other advisory services		32,751	8,978	14,521
Revenue change under stage of completion method	2	19,098	5,241	0
Total for advisory and training services	11	307,900	257,121	179,238
Total revenue	11	1,880,700	1,611,102	1,369,189

NOTE 6: REVENUE

Revenue is measured at the fair value of consideration received or receivable for services provided in the ordinary course of business less value added tax and any discounts allowed to clients.

REVENUE AND OPERATING PROFIT



1 October - 30 September

In euros	Note	2016/2015	2015/2014	2014/2013
Estonia		1,560,904	1,393,961	1,180,562
United Kingdom		182,793	156,712	153,931
Denmark		51,103	420 [0
Finland		25,777 🗀	19,286 🗆	3,817 🏻
Lithuania		22,268 🗀	12,921 🗆	13,804 🖂
Other countries of the Europea	an Union	33,250	21,180 🗔	8,170 🗆
Other countries		4,605 □	6,622 🗆	8,905 🗆
Total revenue	11	1,880,700	1,611,102	1,369,189

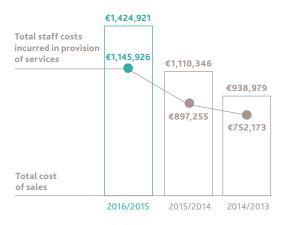
REVENUE BY CLIENTS' COUNTRY OF ORIGIN



NOTE 7: COST OF SALES

Cost of sales comprises consideration paid or payable to suppliers and contractors for provision of services, staff costs of employees providing services and overheads of operating segments involved in the provision of services.

COST OF SALES

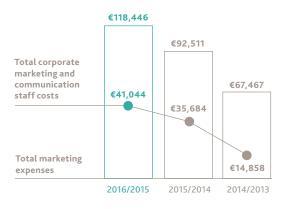


	1 October - 30 September										
In euros	Note	2016/2015	2015/2014	2014/2013							
Services and supplies purchased		-88,890	-95,421	-84,241							
Transport and business travel expenses		-24,927	-15,888	-13,350							
Total direct service provision expenses		-113,817	-111,309	-97,591							
Basic and additional remuneration of employees and contractors		-855,127	-661,588	-553,358							
Employer's taxes and similar contributions		-290,897	-226,548	-188,270							
Fringe benefits, gifts and other employee benefits		-4,689	-6,858	-2,374							
Change in accrued holiday pay liabilities		4,787	-2,261	-8,171							
Total staff costs incurred in provision of services	11	-1,145,926	-897,255	-752,173							
Services and supplies purchased		-63,183	-29,399	-19,331							
Rental of IT equipment, supplies and furniture	12	-46,072	-35,434	-23,789							
Training expenses		-41,202	-25,678	-35,270							
Membership fees		-8,489	-7,299	-7,487							
Transport and business travel expenses		-6,232	-3,972	-3,338							
Total service provision overheads		-165,178	-101,782	-89,215							
Total cost of sales	11	-1,424,921	-1,110,346	-938,979							

NOTE 8: MARKETING EXPENSES

Marketing expenses comprise consideration paid or payable to suppliers or contractors for the performance of marketing and communication activities aimed at the service or labour markets and staff costs and overheads of the marketing unit.

MARKETING EXPENSES



		1 Octo	ober - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Basic and additional remuneration of employees and contractors		-29,636	-26,024	-10,788
Employer's taxes and similar contributions		-10,179	-8,987	-3,668
Change in accrued holiday pay liabilities		-997	-474	-22
Fringe benefits, gifts and other employee benefits		-232	-199	-380
Total corporate marketing and communication staff costs	11	-41,044	-35,684	-14,858
Services and supplies purchased		-37,359	-22,682	-20,849
Membership fees to organisations and network		-36,172	-31,795	-28,957
Training expenses		-1,535	-678	-1,104
Rental of IT equipment, supplies and furniture	12	-1,383	-1,091	-1,377
Transport and business travel expenses		-953	-581	-322
Total corporate marketing and communication overheads		-77,402	-56,827	-52,609
Total marketing expenses	11	-118,446	-92,511	-67,467

		1 Octo	bber - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Rental of premises	12	-79,352	-75,189	-81,175
Costs related to use of premises		-30,074	-38,892	-20,035
Total expenses on premises		-109,426	-114,081	-101,210
Basic and additional remuneration of employees and contractors		-95,752	-93,691	-88,327
Employer's taxes and similar contributions		-35,025	-34,204	-30,990
Fringe benefits, gifts and other employee benefits		-4,767	-4,290	-2,165
Change in accrued holiday pay liabilities		-332	565	4,274
Total administrative staff costs	11	-135,876	-131,620	-117,208
Services and supplies purchased		-45,897	-42,834	-60,929
Transport and business travel expenses		-8,366	-14,485	-9,542
Training expenses		-6,419	-3,672	-7,834
Rental of IT equipment, supplies and furniture	12	-4,089	-4,363	-5,514
Total administrative overheads		-64,771	-65,354	-83,819
Total administrative expenses	11	-310,073	-311,055	-302,237

NOTE 9: ADMINISTRATIVE EXPENSES

Administrative expenses comprise consideration paid or payable to suppliers and contractors for performance of management and administrative activities and staff costs and overheads of the administration unit.

ADMINISTRATIVE EXPENSES

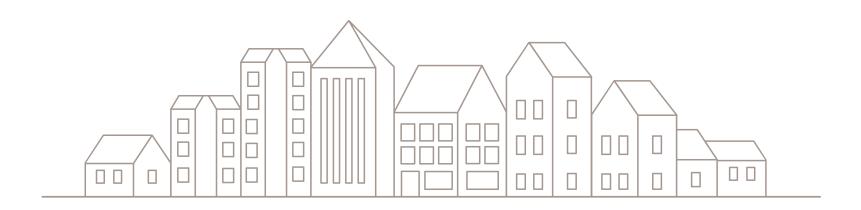


			ober - 30 Septem	ber
In euros	Note	2016/2015	2015/2014	2014/2013
Foreign exchange differences and other income		-2,681	2,581	-508
Total other income	11	-2,681	2,581	-508
Interest expense		0	-442	-1,037
Total finance costs	11	0	-442	-1,037
Dividends declared during the period		89,670	57,206	0
Corporate income tax rate (for the net amount)	5	20/80	20/80	21/79
Total income tax expense on dividends		-22,418	-14,302	0
Total income tax expense on repurchase of own shares		0	0	-5,754
Total corporate income tax expense		-22,418	-14,302	-5,754

NOTE 10: OTHER INCOME AND EXPENSES, FINANCE INCOME AND COSTS AND CORPORATE INCOME TAX

Other income comprises income on ancillary activities, exchange gain on financial assets and liabilities and investment income. Finance costs comprise interest expense on the funds borrowed for repurchase of own shares, calculated at the rate of 5% of the outstanding amount per year (365-day year).

Corporate income tax expense comprises income tax expense on dividends (recognised in the period in which the dividend is declared) and payments considered equal to dividends (recognised in the period in which the payment is made).



NOTE 11: OPERATING SEGMENTS

Consolidated revenue and expenses of operating segments

For management accounting purposes, we have identified four operating segments that are based on our service lines: audit services, business support services (including accounting and payroll services), advisory services (including financial and tax advisory and training services) and internal support services.

			Audit Servic	es		support serv			dvisory servic			nal support se		TOTAL			
		1 Octo	ober – 30 Sep	tember	1 October	- 30 Septem	nber	1 Octo	ber – 30 Sept	ember	1 October – 30 September			1 Octo	1 October – 30 September		
In euros		2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	
Revenue	6	803,839	703,325	644,765	768,961	650,656	545,186	307,900	257,121	179,238	0	0	0	1,880,700	1,611,102	1,369,189	
Cost of sales	7	-657,260	-509,783	-556,101	-536,128	-377,549	-279,544	-231,533	-223,014	-103,334	0	0	0	-1,424,921	-1,110,346	-938,979	
Of which staff costs		-538,196	-426,547	-475,519	-417,404	-315,961	-227,548	-190,326	-154,747	-49,106	0	0	0	-1,145,926	-897,255	-752,173	
Gross profit		146,579	193,542	88,664	232,833	273,107	265,642	76,367	34,107	75,904	0	0	0	455,779	500,756	430,210	
Marketing expenses	8	0	0	0	0	0	0	0	0	0	-118,446	-92,511	-67,467	-118,446	-92,511	-67,467	
Of which staff costs		0	0	0	0	0	0	0	0	0	-41,044	-35,684	-14,858	-41,044	-35,684	-14,858	
Administrative expenses	9	0	0	0	0	0	0	0	0	0	-310,073	-311,055	-302,237	-310,073	-311,055	-302,237	
Of which staff costs		0	0	0	0	0	0	0	0	0	-135,876	-131,620	-117,208	-135,876	-131,620	-117,208	
Other income and expenses		0	0	0	0	0	0	0	0	0	0	0	0	-2,681	2,581	-508	
Operating profit		146,579	193,542	88,664	232,833	273,107	265,642	76,367	34,107	75,904	-428,519	-403,566	-369,704	24,579	99,771	59,998	
Finance income and costs		0	0	0	0	0	0	0	0	0	0	-442	-1,037	0	-442	-1,037	
Profit before tax		146,579	193,542	88,664	232,833	273,107	265,642	76,367	34,107	75,904	-428,519	-404,008	-370,741	24,579	99,329	58,961	
Weighted average number of staff converted to full-time equivalent		22	17	17	18	15	12	6	4	2	5	5	5	51	41	36	

Consolidated assets and liabilities of operating segments

		Audit Services			Business support services			Advisory services			Internal support services			TOTAL		
		30 September		30 September		30 September			30 September			30 September				
In euros Note		16 2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	
Current assets: Cash and cash equivalents 1		0 0	0	0	0	0	0	0	0	99,175	186,319	169,430	99,175	186,319	169,430	
Current assets: Trade and																
other receivables 2	95,	75 50,814	35,814	90,160	109,188	75,221	46,670	75,880	19,306	20,548	8,474	90,130	252,953	244,356	220,471	
Current liabilities 3	45,	755 34,306	36,473	35,877	28,403	16,737	13,803	18,528	6,081	166,112	184,550	193,542	261,547	265,787	252,833	

Consolidated cash flows of operating segments

		Audit Service	S	Business support services			Advisory services			Interr	nal support se	rvices	TOTAL		
	1 October – 30 September			1 October – 30 September			1 October – 30 September			1 October – 30 September			1 October – 30 September		
In euros	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013
Net cash flow from operating activities	113,267	176,375	86,022	259,335	250,806	251,799	100,852	-10,020	73,277	-443,839	-312,442	-340,637	29,615	104,719	70,461
Net cash flow from investing activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow from financing activities	0	0	0	0	0	0	0	0	0	-116,758	-87,830	-63,642	-116,758	-87,830	-63,642

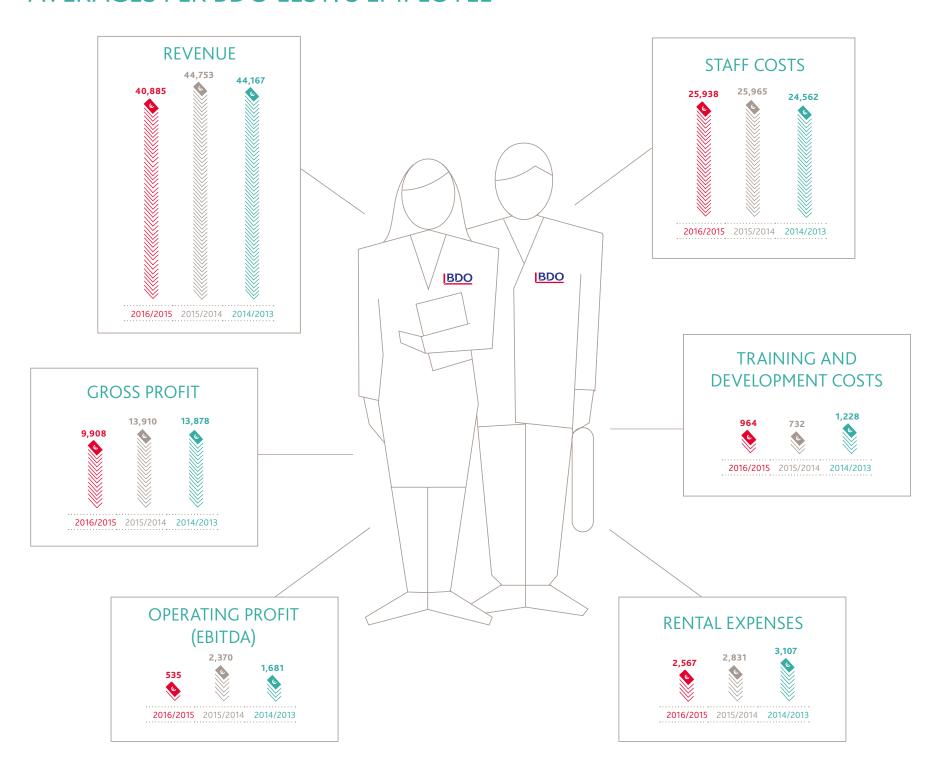
NOTE 12: RENTAL

Classification of leases into finance and operating leases. Where the contractually agreed term of use is limited to only part of the estimated useful life of the asset and the significant risks and rewards incidental to ownership of the asset do not transfer to a group entity, we classify the lease as an operating lease. In making our judgement, we rely, among other things, on our historical experience according to which we do not exercise the purchase option and return the assets to the lessor.

Recognition of the rental of office premises as an administrative expense (note 9). We recognise the full amount of rental charged for office premises as an administrative expense and the expense of the internal support services segment. If office rental expenses were allocated to other operating segments, the gross profit (of the operating segments) would decrease by the amount of the allocated rental expenses.

		1 Octob	er - 30 Septembe	er
In euros	Note	2016/2015	2015/2014	2014/2013
Rental expenses on office premises	9	-79,352	-75,189	-81,175
Rental expenses on IT equipment and supplies	7, 8, 9	-38,528	-29,295	-27,747
Rental expenses on office furniture	7, 8, 9	-13,016	-11,593	-2,933
Total rental expenses		-130,896	-116,077	-111,855
From contracts with a term of less than 1 year		-3,853	-6,294	-5,416
From contracts with a term of 1-3 years		-28,082	-19,797	-20,518
From contracts with a term of 4-5 years		-98,814	-79,553	-85,921
From contracts with a term of more than 5 years		-147	-10,433	0
Total rental expenses		-130,896	-116,077	-111,855
Rental expenses on office premises	9	103,617	75,862	81,341
Rental expenses on IT equipment and supplies	7, 8, 9	29,425	33,574	28,589
Rental expenses on office furniture	7, 8, 9	14,937	13,274	13,034
Other rental payments	7, 8, 9	6,655	15,207	16,728
Total future rental payments under existing contracts		154,634	137,917	139,692

AVERAGES PER BDO EESTI'S EMPLOYEE



NOTE 13: RISK MANAGEMENT

Impact of the seasonal nature of our activities on our financial position and liquidity

***************************************			Q1 of financial year			of financial y			Q3 of financial year			4 of financial		TOTAL		
			ober - 31 Dec			nuary - 31 Ma		1 April - 30 June			1 July - 30 September			1 October – 30 September		
In euros	Note	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013
Revenue	6, 11	400,289	303,504	269,576	557,854	453,944	371,952	549,058	580,485	494,699	373,499	273,169	232,962	1,880,700	1,611,102	1,369,189
Cost of sales	7, 11	-380,795	-256,932	-249,706	-359,583	-274,033	-242,623	-365,663	-306,288	-242,511	-318,880	-273,093	-204,139	-1,424,921	-1,110,346	-938,979
Gross profit		19,494	46,572	19,870	198,271	179,911	129,329	183,395	274,197	252,188	54,619	76	28,823	455,779	500,756	430,210
Marketing expenses	8, 11	-25,934	-16,659	-20,969	-24,624	-27,607	-8,971	-39,670	-26,001	-23,652	-28,218	-22,244	-13,875	-118,446	-92,511	-67,467
Administrative expenses	9, 11	-84,593	-82,398	-74,435	-73,653	-74,237	-70,917	-81,720	-75,761	-77,453	-70,107	-78,659	-79,432	-310,073	-311,055	-302,237
Other income and expenses	10, 11	1,086	-82	298	1,041	2,592	448	285	358	281	-5,093	-287	-1,535	-2,681	2,581	-508
Operating profit		-89,947	-52,567	-75,236	101,035	80,659	49,889	62,290	172,793	151,364	-48,799	-101,114	-66,019	24,579	99,771	59,998
Finance income and costs	10, 11	0	-304	0	0	-130	0	0	-8	-555	0	0	-482	0	-442	-1,037
Profit before tax		-89,947	-52,871	-75,236	101,035	80,529	49,889	62,290	172,785	150,809	-48,799	-101,114	-66,501	24,579	99,329	58,961
Income tax expense	10	0	0	0	-22,418	-14,302	-5,754	0	0	0	0	0	0	-22,418	-14,302	-5,754
Profit and comprehensive income for the period		-89,947	-52,871	-75,236	78,617	66,227	44,135	62,290	172,785	150,809	-48,799	-101,114	-66,501	2,161	85,027	53,207
Change in cash and cash equivalents	1	-106,520	-53,250	-16,891	37,188	-23,456	-51,942	117,379	91,301	69,856	-135,191	2,294	5,797	-87,144	16,889	6,820

Exposure to credit risk

		3		
In euros	Note	2016	2015	2014
Cash and cash equivalents	1	99,175	186,319	169,430
Receivables past due but expected to be collectible	2	16,385	39,574	32,133
Financial assets with 1-30 days to the due date	2	204,466	162,015	157,164
Financial assets with 31-90 days to the due date	2	19,953	15,859	23,754
Financial assets with 90+ days to the due date	2	558	15,111	1,690
Financial assets without a specific due date	2	11,591	11,797	5,730
Total financial assets	1, 2	352,128	430,675	389,901
Financial liabilities with 1-30 days to the due date	2	230,406	226,041	201,582
Financial liabilities with 31-90 days to the due date	2	16,238	21,180	33,752
Financial liabilities without a specific due date	2	14,903	18,566	17,499
Total financial liabilities	3	261,547	265,787	252,833
Position of cash and cash equivalents		99,175	186,319	169,430
Open position in settlements with 1-30 days to the due date		-9,555	-24,452	-12,285
Open position in settlements with 31-90 days to the due date		3,715	-5,321	-9,998
Open position in settlements with 90+ days to the due date		558	15,111	1,690
Open position of settlements without a specific due date		-3,312	-6,769	-11,769

Exposure to currency risk

	•••••••••••••••••••••••••••••••••••••••	30		
In euros	Note	2016	2015	2014
Financial assets in euros (€)	1, 2	328,014	394,248	365,727
Of which cash and cash equivalents (€)	1	99,175	186,319	169,430
Financial assets in US dollars (\$)	2	24,114	36,427	24,174
Financial liabilities in euros (€)	3	261,346	265,787	251,265
Financial liabilities in US dollars (\$)	3	0	0	215
Financial liabilities in other currencies	3	201	0	1,353
Open position in euros (€)		66,668	128,461	114,462
Open position in US dollars (\$)		24,114	36,427	23,959
Open position in other currencies		-201	0	-1,353
Share of foreign currency items in financial assets		7%	8%	6%
Share of foreign currency items in financial liabilities		0%	0%	1%

Due to the nature of their activities, group entities are exposed to the following risks:

- liquidity risk;
- credit risk;
- market risk.

This note describes risk management based on the nature of our business. Therefore, we disclose significant information on both our financial assets and liabilities and non-financial assets and liabilities. The key objective of risk management is to prevent and manage risks that could jeopardise the sufficiency of working capital and equity required for our operating activities and our entities' ability to continue as a going concern. We do not use derivatives to hedge our credit, liquidity, and market risk exposures. Ultimate responsibility for risk management has been assigned to group entities' management boards.

Concentration of credit risk: share of 10 largest receivables

			30 September	
In euros	Note	2016	2015	2014
Total trade receivables	2	155,206	185,116	186,378
Total amount of 10 largest receivables		63,245	121,142	124,903
Share of 10 largest receivables in total receivables		41%	65%	67%
Total number of debtors		163	137	142

In capital management we take into account the requirement that in order to continue its operations the parent company's net assets (equity) must amount to at least half of its share capital, i.e. 30,000 euros. If we lowered our share capital to the statutory minimum, the minimum equity requirement would decrease to 25,000 euros. We assess the regulatory compliance of the parent company's capital based on its adjusted unconsolidated equity. Adjusted unconsolidated equity is the company's unconsolidated equity less the carrying amount of investments in subsidiaries plus the value of investments in subsidiaries under the equity method. The calculation of adjusted unconsolidated equity in the calculation of distributable profit is disclosed in note 5.

In order to continue their operations, the subsidiaries' net assets (equity) must amount to at least half of their share capital, i.e. 5,000 euros or, if share capital is reduced to the statutory minimum, to at least 2,500 euros.

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset in a timely manner. Above all, group entities' liquidity position is influenced by the following factors:

prowth-related expenditures on the creation of new jobs;

seasonal fluctuations in our business, particularly in audit services. In the third and fourth quarter of the calendar year, we have to cover our operating expenses with the cash accumulated in earlier periods. In the first quarter of the calendar year, there is a rise in business activities that triggers the need for additional working capital.

Our short-term liquidity management is based on group entities' budgets and forecasts. The primary instruments of short-term liquidity management are ensuring the availability of sufficient cash funds and accumulation of those cash funds at the parent entity, which help mitigate seasonal fluctuations in our entities' liquidity. The main secondary instruments for managing liquidity risk are overdraft facilities.

Our long-term liquidity management is strongly influenced by investment decisions (creating new jobs and hiring new staff). In liquidity management, we strive to avoid open financing positions where the payback period exceeds the financing cover.

Credit risk is the risk that a counterparty to a transaction will cause a financial loss for the group by failing to discharge its contractual obligations. Our main source of credit risk is trade receivables for which we normally do not demand security. Our credit risk management includes both preventive activities (analysis of counterparties' creditworthiness) and imposing limits on concentrations and accumulations of risks. Group companies conduct transactions with only such counterparties that have previously been considered creditworthy. In conducting transactions with existing clients, we assess credit risk mainly by reference to their historical settlement behaviour. We provide services to counterparties with high credit risk against a prepayment only.

Expected credit losses are recognised in the impairment allowance for receivables. According to the group's accounting policies, all receivables that are over 180 days past due and which do not have additional collateral or a separate settlement agreement are written down.

Market risk is the risk that the group's financial performance or the value of the group's financial instruments will fluctuate due to changes in market prices. Market risk includes currency risk and interest rate risk.

Currency risk is the risk that we will incur a loss due to unfavourable changes in foreign exchange rates which change the value of our financial instruments denominated in a currency other than our functional currency.

Interest rate risk is, above all, the risk that the base rates of floating interest rates will increase. This would have an immaterial direct impact on group entities.

NOTE 14: PRIMARY FINANCIAL STATEMENTS OF THE PARENT AND THE SUBSIDIARIES

The parent company's primary financial statements are presented in the notes to the consolidated financial statements as supplementary information required by the Republic of Estonia Accounting Act.These financial statements do not constitute the parent company's complete separate financial statements as defined in IAS 27. In the parent company's primary financial statements, investments in subsidiaries are classified as non-current assets (long-term investments) and measured at amortised cost. By being the sole shareholder, the parent controls (has power over) the subsidiaries BDO Advisory OÜ and BDO Accounting OÜ, which means that it has rights to variable returns from its involvement with the subsidiaries and the ability to use its power to affect the amount of those returns.

STATEMENTS OF FINANCIAL POSITION

	BDO Eesti AS			BC	O Advisory		BDO Accounting OÜ	
	3	0 September			30 September		30 September	
In euros	2016	2015	2014	2016	2015	2014	2016	
Cash and cash equivalents	51,108	130,514	157,586	38,412	55,805	11,844	9,655	
Trade and other receivables	233,171	259,295	213,830	40,695	57,701	8,609	0	
Total current assets	284,279	389,809	371,416	79,107	113,506	20,453	9,655	
Long-term investment in subsidiaries	20,000	10,000	10,000	0	0	0	0	
Total non-current assets	20,000	10,000	10,000	0	0	0	0	
TOTAL ASSETS	304,279	399,809	381,416	79,107	113,506	20,453	9,655	
Payables and deferred income	232,242	251,996	251,701	50,218	86,430	3,100	0	
Total current liabilities	232,242	251,996	251,701	50,218	86,430	3,100	0	
Share capital	60,000	60,000	60,000	10,000	10,000	10,000	10,000	
Own shares	0	-13,200	-13,200	0	0	0	0	
Statutory capital reserve	6,000	6,000	6,000	0	0	0	0	
Retained earnings	6,037	95,013	76,915	18,889	17,076	7,353	-345	
Total equity	72,037	147,813	129,715	28,889	27,076	17,353	9,655	
TOTAL LIABILITIES AND EQUITY	304,279	399,809	381,416	79,107	113,506	20,453	9,655	

STATEMENTS OF COMPREHENSIVE INCOME

	l	BDO Eesti AS	5	В	DO Advisory	/ OÜ	BDO Accounting OÜ
			10	ctober – 30	September		
In euros	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015
Revenue	1,633,063	1,416,391	1,361,271	247,637	194,711	118,936	0
Cost of sales	-1,367,287	-1,025,759	-933,811	-57,634	-84,587	-5,948	0
Gross profit	265,776	390,632	427,460	190,003	110,124	112,988	0
Marketing expenses	-118,446	-92,511	-67,467	0	0	0	0
Administrative expenses	-121,530	-210,666	-302,159	-188,198	-100,389	-110,316	-345
Other income	-2,689	2,593	-537	8	-12	29	0
Operating profit	23,111	90,048	57,297	1,813	9,723	2,701	-345
Finance costs	0	-442	-1,037	0	0	0	0
Profit before tax	23,111	89,606	56,260	1,813	9,723	2,701	-345
Income tax expense	-22,418	-14,302	-5,754	0	0	0	0
COMPREHENSIVE INCOME FOR THE YEAR	693	75,304	50,506	1,813	9,723	2,701	-345

STATEMENTS OF CHANGES IN EQUITY

	· · · · · · · · · · · · · · · · · · ·	BDO Eesti AS	5	В	DO Advisor	BDO Accounting OÜ	
			1	October - 3	0 Septembe	r	
In euros	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016
EQUITY AT BEGINNING OF PERIOD	147,813	129,715	159,209	27,076	17,353	14,652	0
Share capital	60,000	60,000	60,000	10,000	10,000	10,000	10,000
Own shares at beginning of period	-13,200	-13,200	0	0	0	0	0
Sale/purchase of own shares	13,200	0	-80,000	0	0	0	0
Change in value of own shares	0	0	66,800	0	0	0	0
Own shares at end of period	0	-13,200	-13,200	0	0	0	0
Statutory capital reserve	6,000	6,000	6,000	0	0	0	0
Retained earnings at beginning of period	95,013	76,915	93,209	17,076	7,353	4,652	0
Profit for the year	693	75,304	50,506	1,813	9,723	2,701	-345
Dividends declared	-89,670	-57,206	0	0	0	0	0
Change in value of own shares	0	0	-66,800	0	0	0	0
Retained earnings at end of period	6,036	95,013	76,915	18,889	17,076	7,353	-345
EQUITY AT END OF PERIOD	72,036	147,813	129,715	28,889	27,076	17,353	9,655

STATEMENTS OF CASH FLOWS

		BDO Eesti AS		В	DO Advisory	y OÜ	BDO Accounting OÜ
			1	October – 3	0 Septembe	r	
In euros	2016/2015	2015/2014	2014/2013	2016/2015	2015/2014	2014/2013	2016/2015
Profit for the year	693	75,304	50,506	1,813	9,723	2,701	-345
Adjustments for:							
Income tax expense	22,418	14,302	5,754	0	0	0	0
Finance costs	0	442	1,037	0	0	0	0
Change in receivables and prepayments	26,124	-45,465	-20,398	17,006	-49,092	-3,288	
Change in payables and deferred income	-19,754	295	90,529	-36,212	83,330	-33,229	
Of which change in payables related to financing activities	17,872	15,880	-23,150	0	0	0	0
Net cash from/used in operating activities	47,353	60,758	104,278	-17,393	43,961	-33,816	-345
Paid on establishment of subsidiaries	-10,000	0	0	0	0	0	0
Net cash used in investing activities	-10,000	0	0	0	0	0	0
Dividends paid	-103,967	-42,909	-8,376	0	0	0	0
Transactions with own shares, contributions to share capital	13,200	-27,998	-52,002	0	0	0	10,000
Income tax paid on dividends	-25,992	-16,481	-2,227	0	0	0	0
Interest paid	0	-442	-1,037	0	0	0	0
Net cash used in/from financing activities	-116,759	-87,830	-63,642	0	0	0	10,000
Cash and cash equivalents at beginning of period	130,514	157,586	116,950	55,805	11,844	45,660	0
Cash and cash equivalents at end of period	51,108	130,514	157,586	38,412	55,805	11,844	9,655
Decrease/increase in cash and cash equivalents	-79,406	-27,072	40,636	-17,393	43,961	-33,816	9,655

NOTE 15: RELATED PARTY DISCLOSURES

For the purposes of our consolidated financial statements, related parties, i.e. parties that have control or significant influence over the operating and financial policies of group entities, include:

- members of group entities' management boards and persons and companies directly related to them;
- members of the parent company's supervisory board and persons and companies directly related to them.

Effect of related party transactions on financial position

	3	0 September	
In euros	2016	2015	2014
Transactions with group companies	20,913	72,640	1,968
Receivables eliminated on consolidation	-20,913	-72,640	-1,968
Transactions with members of the management and supervisory boards and persons related to them	3,875	5,946	5,282
Total effect on trade and other receivables	3,875	5,946	5,282
Transactions with group companies	20,913	72,639	1,968
Payables eliminated on consolidation	-20,913	-72,639	-1,968
Transactions with members of the management and supervisory boards and persons related to them	11,699	8,462	6,451
Total effect on payables and deferred income	11,699	8,462	6,451
Total effect of related party transactions on financial position	-7,824	- 2,516	-1,169

Effect of related party transactions on revenue and expenses

	1 Octob	er	
In euros	2016/2015	2015/2014	2014/2013
Transactions with group companies	0	0	111,018
Revenue eliminated on consolidation	0	0	-111,018
Transactions with members of the management and supervisory boards and persons related to them	18,572	19,080	18,360
Total effect on revenue	18,572	19,080	18,360
Transactions with group companies	0	0	-782
Cost of sales eliminated on consolidation	0	0	782
Transactions with members of the management and supervisory boards and persons related to them	-109,371	-74,670	-23,638
Total effect on cost of sales	-109,371	-74,670	-23,638
EFFECT ON GROSS PROFIT	-90,799	-55,590	-5,278
Transactions with members of the management and supervisory boards and persons related to them	0	0	-1,675
Total effect on marketing expenses	0	0	-1,675
Transactions with group companies	0	0	-110,236
Administrative expenses eliminated on consolidation	0	0	110,236
Transactions with members of the management and supervisory boards and persons related to them	-51,603	-56,885	-105,945
Total effect on administrative expenses	-51,603	-56,885	-105,945
Transactions with members of the management and supervisory boards and persons related to them	1,592	0	1,326
Total effect on other income	1,592	0	1,326
EFFECT ON OPERATING PROFIT	-140,810	-112,475	-111,572

	40 - 1 - 200 - 1			
	1 October – 30 September			
In euros	2016/2015	2015/2014	2014/2013	
Remuneration provided to members of the management board	-160,974	-120,290	-52,030	
Employer's taxes on remuneration provided	-53,037	-40,058	-17,170	
Total expenses on remuneration of members of the management board	-214,011	-160,348	-69,200	
Number of members of the management board at end of period	4	3	1	

To mitigate the liquidity risk arising from seasonal fluctuations in our activities, we extended the overdraft facility agreement signed with the bank on 23 September 2015 and:

- increased the limit for the period until 31 March 2017 to 100,000 euros; and
- reduced the limit for the period 1 April to 15 September 2017 to 50,000 euros.

The interest rate of the overdraft is 1 month EURIBOR (not less than 0%) plus 2% per year and (not less than 0%) and the limit charge rate is 1% per year. The loan is secured with a commercial pledge of the first ranking of 97,500 euros created on the movable property of the parent company and a commercial pledge of the second ranking of 32,500 euros.

NOTE 16: GUARANTEES AND ASSETS PLEDGED AS COLLATERAL

At 30 September 2016, the overdraft limit was not in use.

The management board proposes to the annual general meeting that no dividends be paid for the year ended 30 September 2016. The company could distribute a maximum dividend of 33 euros per each share that participates in profit-sharing, i.e. 19,665 euros in total (see also note 5).

No dividend liability has been recognised for the year ended 30 September 2016 because at 30 September 2016 no dividend had been declared.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF BDO EESTI AS

We have audited the accompanying consolidated financial statements of BDO Eesti AS, which comprise the consolidated statement of financial position as at 30 September 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 52.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BDO Eesti AS as at 30 September 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

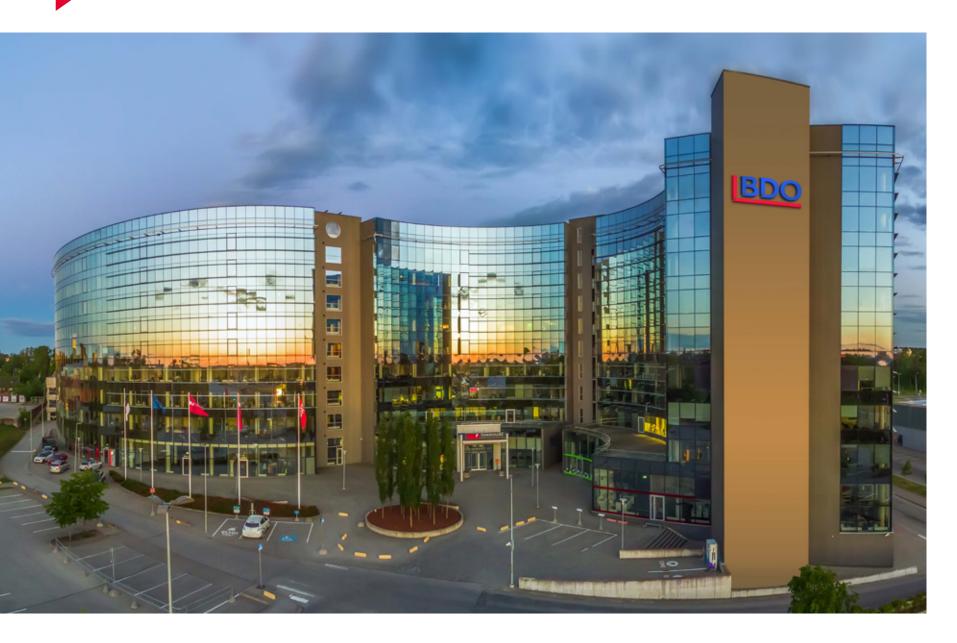
Tallinn, 16 March 2017

Mari Sukk

Certified Public Accountant ▲ 474 Audit Firm Mari Sukk OÜ Audit Firm Activity Licence ▲ 273

Abara 39, Tallinn 13516





BDO EESTI AS

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BDO ADVISORY OÜ

Registry no. 12252563 VAT no. EE100081343

BDO ACCOUNTING OÜ

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Photos: Karen Härms and Gert Kelu

