

# **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

**Report and Financial Statements**  
**December 31, 2014**

# **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

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## **Independent Auditor's Report**

To the Board of Directors of  
Lombard Odier (Panama), Inc.  
(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

We have audited the accompanying financial statements of Lombard Odier (Panama) Inc. (the "Company"), which comprise the balance sheet as of December 31, 2014 and the statements of comprehensive income, changes in equity and of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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



To the Board of Directors of  
Lombard Odier (Panama), Inc.  
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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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

March 31, 2015  
Panama, Republic of Panama

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Balance Sheet December 31, 2014

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#### Assets

##### Current assets

Petty cash	US\$	124
Receivable from related party (Note 6)		929,426
Other assets		<u>82</u>

Total current assets 929,632

Leasehold improvements, net (Note 4) 37,259

Total assets US\$ 966,891

#### Liabilities and Equity

##### Liabilities

Accrued expenses and other liabilities (Note 5)	US\$	59,452
Amount due to related party (Note 6)		<u>417,557</u>

Total liabilities 477,009

Commitment (Note 11)

##### Equity

Share capital (Note 7)		500,000
Accumulated deficit		<u>(10,118)</u>

Total equity 489,882

Total liabilities and equity US\$ 966,891

The notes on pages 7 to 16 are an integral part of these financial statements.

**Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

**Statement of Comprehensive Income  
For the year ended December 31, 2014**

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Service fee (Note 6)	US\$ 935,448
Administrative fees (Note 6)	<u>(117,585)</u>
Gross margin	817,863
Operating and administrative expenses (Notes 6 and 8)	<u>(827,981)</u>
Net loss	<u>US\$ (10,118)</u>

The notes on pages 7 to 16 are an integral part of these financial statements.

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Statement of Changes in Equity For the year ended December 31, 2014

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	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance - January 1, 2014	US\$ -	US\$ -	US\$ -
Shares issued (Note 7)	500,000	-	500,000
Net loss	-	(10,118)	(10,118)
Balance - December 31, 2014	<u>US\$ 500,000</u>	<u>US\$ (10,118)</u>	<u>US\$ 489,882</u>

The notes on pages 7 to 16 are an integral part of these financial statements.

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Statement of Cash Flows For the year ended December 31, 2014

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#### Cash flows from operating activities

Net loss	US\$ (10,118)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation (Note 8)	53,153
Net changes in operating assets and liabilities:	
Increase in receivable from related party (Note 6)	(929,426)
Increase in amount due to related party (Note 6)	417,557
Increase in accrued expenses and other liabilities (Note 5)	59,452
Increase in other assets	<u>(82)</u>
Net cash used in operating activities	<u>(409,464)</u>

#### Cash flows from financing activities

Share capital issued (Note 7) and net cash provided by financing activities	<u>409,588</u>
Net increase in cash	124
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>US\$ 124</u>

#### Non-cash transactions

Purchases of furniture and equipment (Note 4)	<u>US\$ 90,412</u>
Share capital issued (Note 7)	<u>US\$ 90,412</u>

The notes on pages 7 to 16 are an integral part of these financial statements.



# **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

## **Notes to the Financial Statements December 31, 2014**

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### **1. General Information**

Lombard Odier (Panama) Inc. (the “Company”), constituted according to the laws of the Republic of Panama on June 26, 2013 began operations on January 1, 2014 and officially opened to the public on July 22, 2014. The primary activity of the Company is to provide investment advisory services. The address of its registered office is Oceania Business Plaza Tower 2000, Boulevard Pacifica, Panama City, Republic of Panama.

The Company is ultimately owned by the partners of Lombard Odier & Cie (the ultimate parent), a private company domiciled in Geneva, Switzerland.

The Company commenced active operations on January 1, 2014 and since its startup phase, has incurred operating losses. The Company has received financial support from a related party to finance its operations.

These financial statements were authorized for issue by the Management on March 30, 2015.

### **2. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

#### **Basis of Presentation**

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations adopted by the IFRS Interpretations Committee (IFRIC). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are associated with estimating the economic life of property, furniture and equipment. Assumptions are discussed in the following accounting policies.

#### *(a) New and amended standard adopted by the Company*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2014 that would be expected to have a material impact on the Company.

## **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### **Notes to the Financial Statements December 31, 2014**

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#### **2. Summary of Significant Accounting Policies (Continued)**

##### **Basis of Presentation (continued)**

*(b) New standard, amendment and interpretation issued, but not effective for the financial year beginning January 1, 2014 and not early adopted*

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has not yet determined the impact that the adoption of the standard will have on the financial statements and related disclosures.
  
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

##### **Monetary Unit**

The financial statements are expressed in dollar (US\$), monetary unit of the United States of America. The dollar (US\$) circulates and is freely exchangeable in the Republic of Panama.

## **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### **Notes to the Financial Statements December 31, 2014**

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#### **2. Summary of Significant Accounting Policies (Continued)**

##### **Foreign Currency Conversion**

The assets and liabilities, expressed in foreign currency have been converted at the prevailing exchange rate in the market at the end of the period. The revenues and expenses have been converted at the prevailing exchange rate at the date of the transactions. Gains and losses resulting from foreign currency conversion are recognized in the statement of comprehensive income of the year.

##### **Cash**

Cash includes cash on hand.

##### **Accounts Receivable**

The accounts receivable are recognized and measured at the original invoice amount and do not bear interest. All the accounts receivable are subject and exposed to credit risk. The Company has not identified credit risk concentration. The provision for impairment of receivables is established when the collectability of an invoice is not probable.

##### **Leasehold Improvements, Net**

Leasehold improvements are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. All repairs and maintenance charges are charged to income or loss during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of assets less their estimated residual value over their estimated useful lives. Leasehold improvements are depreciated on a straight - line basis over the lesser of five years and the remaining life of the lease.

The assets' residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted, if appropriate, if there is an indication of a significant change.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

##### **Accrued Expenses and Other Liabilities**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### **Notes to the Financial Statements December 31, 2014**

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#### **2. Summary of Significant Accounting Policies (Continued)**

##### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease.

##### **Employee Benefits**

###### *Seniority Premium and Unemployment Trust Fund*

In accordance with the Panamanian Labor Code, employees with an indefinite labor contract have the right to receive, at the termination of the labor relationship, a seniority premium equivalent to one week of salary for each labor year, determined since the beginning date of the labor relationship. Law No.44 of August 1995 establishes that companies have the obligation to constitute an Unemployment Trust Fund to cover the payment of seniority premiums when employees are dismissed. This contribution is determined based on the compensation paid to employees.

###### *Post-Retirement Benefits*

Post-retirement benefits for employees are provided by a defined contribution plan established by the Caja de Seguro Social (Panamanian Social Security Entity or CSS), which assumes the responsibility for the retirement of the employees. The contributions to the retirement plan are made based on parameters established by the Organic Law of the CSS. The Company is only responsible for making the monthly payments established by Law.

As of December 31, 2014, the Company maintained six employees.

##### **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenues from the provision of collection services are recognized in the accounting period in which the services are rendered.

##### **Share Capital**

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

## **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### **Notes to the Financial Statements December 31, 2014**

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#### **2. Summary of Significant Accounting Policies (Continued)**

##### **Financial Instruments**

All financial instruments are initially and subsequently measured on the Company's balance sheet at fair value, with the exception of accrued liabilities and loans, which are subsequently measured at amortized cost using the effective interest method. The Company's financial instruments include cash, accrued liabilities and amounts due to related parties. The Company does not engage in trading or purchasing derivative instruments as defined in the International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; the Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any loss on the derecognition of the original liability is recognized in profit or loss.

#### **3. Taxation**

In accordance with Law No.8 dated March 15, 2010, Section 699 of the Tax Code, the nominal tax rate for income tax is 25%. Legal persons, whose taxable income exceeds one million five hundred thousand dollars annually, must pay the income tax at the rate applicable as indicated in the preceding sentence, on calculating the greater of:

- Net taxable income computed under the traditional method (using the income tax rate 25%), or
- Net taxable income resulting from deducting 4.67% of the total taxable revenues and calculated at a rate 25% (alternative calculation of the income taxes – CAIR).

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Notes to the Financial Statements December 31, 2014

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#### 3. Taxation (Continued)

According to Article 720 of the actual fiscal legislation of Panama, income tax returns for the last three (3) years are subjected to review by fiscal authorities.

Law No.52 of August 28, 2012, established the transfer pricing regime, which is oriented to regulate for tax purposes transactions between related parties, and is applicable to the taxpayer who perform operations with related parties that are tax residents of other jurisdictions. Some of most important aspects of this rule include:

- Taxpayers must submit annually an informative return regarding operations with related parties, within six (6) months following the close of the fiscal year. This obligation applies to transactions starting on fiscal year 2012.
- Failure to submit the informative return shall be punishable by a fine equivalent to 1% of the total amount of transactions with related parties.
- Persons required to submit the return referred to in the preceding paragraph, shall maintain a transfer pricing study, which shall contain the information and analysis to assess and document their transactions with related parties, in accordance with the provisions established by the Law. The taxpayer must present study only at the request of the Department of Revenue within 45 days of the request.

As of December 31, 2014 the Company assessed that a tax provision was not required.

#### 4. Leasehold Improvements, Net

The leasehold improvements are as follows:

	<b><u>Leasehold Improvements</u></b>
Balance January 1, 2014	US\$ -
Additions	90,412
Depreciation of the year	<u>(53,153)</u>
Balance December 31, 2014	<u>US\$ 37,259</u>
Cost	US\$ 90,412
Accumulated depreciation	<u>(53,153)</u>
Net balance	<u>US\$ 37,259</u>

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Notes to the Financial Statements December 31, 2014

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#### 5. Accrued Expenses and other Liabilities

Accrued expenses and other liabilities are summarized as follows:

Social security and staff accrued expense	US\$	26,423
Audit		12,500
Bonus		13,892
Other		<u>6,637</u>
	US\$	<u>59,452</u>

#### 6. Balances and Transactions with Related Parties

The balances and transactions with related parties are summarized as follows:

##### Accounts receivable

Lombard Odier & Cie (Bahamas) Ltd.	US\$	<u>929,426</u>
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##### Accounts payable

Lombard Odier & Cie (Bahamas) Ltd.	US\$	376,292
Lombard Odier & Cie (Geneva)		<u>41,265</u>
	US\$	<u>417,557</u>

##### Service fee

Lombard Odier & Cie (Bahamas) Ltd.	US\$	<u>935,448</u>
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##### Administrative Fees

Lombard Odier & Cie (Geneva)	US\$	<u>115,922</u>
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##### Operating and administrative expenses

Lombard Odier & Cie (Geneva)	US\$	<u>37,580</u>
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Service fee with related party comprises amounts accrued under a service level agreement with the parent, Lombard Odier & Cie (Bahamas) Ltd. Under this arrangement the parent absorbs the overhead costs incurred by the Company.

The accounts payable has no billing interest, and not expiration date therefore it is payable on demand.

#### 7. Share Capital

The Company is authorized to issue 1,000,000 shares with a par value of US\$1. As of December 31, 2014 there were 500,000 shares outstanding.

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Notes to the Financial Statements December 31, 2014

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#### 8. Expenses by Nature

Expenses by nature are summarized as follows:

Staff Costs	US\$ 309,035
Legal accounting and consulting	189,633
Premises	97,282
Travel, marketing and entertainment	72,821
IT and telecom	55,576
Depreciation (Note 4)	53,153
Office and general	27,765
Audit Costs	20,576
Registration Fees	<u>2,140</u>
	<u>US\$ 827,981</u>

#### 9. Financial Instruments - Fair Value

Fair value is the amount for which financial instruments can be negotiated in a common transaction between interested parties, in conditions different than a forced liquidation, and such fair value is determined from market value bids, in case that exist.

A summary of significant assumptions in the estimation of financial instruments is presented below:

##### **Cash**

The carrying value of cash approximates its fair value due to their liquidity and short-term maturities.

##### **Accounts Receivable**

Accounts receivable are current and net of applicable provisions, therefore, their carrying value approximate their fair value.

##### **Accrued Liabilities and Amount due to Related Party**

The fair value of accrued liabilities and amount due to related party approximates their carrying amounts, due to the short-term maturity of these instruments.



## **Lombard Odier (Panama), Inc.**

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### **Notes to the Financial Statements December 31, 2014**

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#### **10. Financial Risk Management**

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The Company's overall risk management program focuses on the management of its capital to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the parent company with oversight by the Management.

##### **Credit Risk**

Credit risk arises from outstanding receivables with related party. Exposure to credit risk arises from the failure of counterparty to perform according to the terms of the contract. The risk is deemed very low as amounts which are due from its parent are assessed as collectible.

##### **Market Risk**

###### *Foreign Exchange Risk*

The Company is exposure to foreign exchange risk relates primarily to its transactions with its related parties. For the period ended on December 31, 2014, the expense associated with changes in foreign currency translations is not considered material to the financial statements.

###### *Interest Rate Risk*

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's overdraft obligation with its related party. For the period ended on December 31, 2014 there is no interest expense associated with the overdraft.

##### **Liquidity Risk**

The liquidity risk is the risk that the Company will be unable to fulfill with all of its obligations. The Company mitigates this risk by maintaining sufficient cash and the ability of funding from its parent company. Accrued liabilities and amounts due to related party are due within one year. The amount due to the related party is due on demand.

##### **Operational Risk**

The Company perceives operational risk as the possibility of a direct or indirect loss resulting from inadequate internal processes, deficiencies in internal control, human error, system failures, and external factors. The structure established by the Company to manage operational risk includes identification and implementation of internal processes and controls, monitoring, and oversight with Lombard Odier & Cie (Bahamas) limited.

## Lombard Odier (Panama), Inc.

(Entity owned and controlled 100% by Lombard Odier & Cie (Bahamas) Limited)

### Notes to the Financial Statements

December 31, 2014

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#### 11. Commitment

The parent company Lombard Odier & Cie (Bahamas) Limited, maintains a non-cancellable operating lease for the renting of its administrative offices in Oceania Business Plaza with maturity on September 2015. The Company and its parent company signed a service level agreement in which the office space and the cost of the lease is shared. In December, 2014, the parent company notified the lessor of the cession to Lombard Odier (Panama) Inc. all the rights and obligation of the non-cancellable operating lease.

The minimum operating lease payment recognized as a rent expense during the period ended was US\$79,802.

The future commitments for this non-cancellable operating lease have the following due dates:

No later than 1 year	US\$	29,835
Later than 1 year and no later than 5 years		-
Later than 5 years		-
		<hr/>
	US\$	<u>29,835</u>