



New Hanza Capital, AS

Group and Company Annual Report

for the year ended 31 December 2017

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Disclaimer

The financial statements were prepared in Latvian and English. In the event of any discrepancies between the Latvian and the English reports, the Latvian version shall prevail.

General information

Name of the Company	New Hanza Capital
Legal status of the company	Joint Stock Company
Registration No, place and date	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	68.20 Renting and operating of own or leased real estate

Members of the Board and their positions

From 4 August 2016 to 28 February 2018
 Andris Kovaļčuks, Chairman of the Board
 Arnolds Romeiko, Member of the Board
From 1 March 2018 till 6 March 2018
 Arnolds Romeiko, Member of the Board
From 7 March 2018 till 19 March 2018
 Aija Hermane-Sabule, Chairman of the Board
 Arnolds Romeiko, Member of the Board
From 20 March 2018
 Edgars Miļūns, Chairman of the Board
 Aija Hermane-Sabule, Member of the Board
 Arnolds Romeiko, Member of the Board

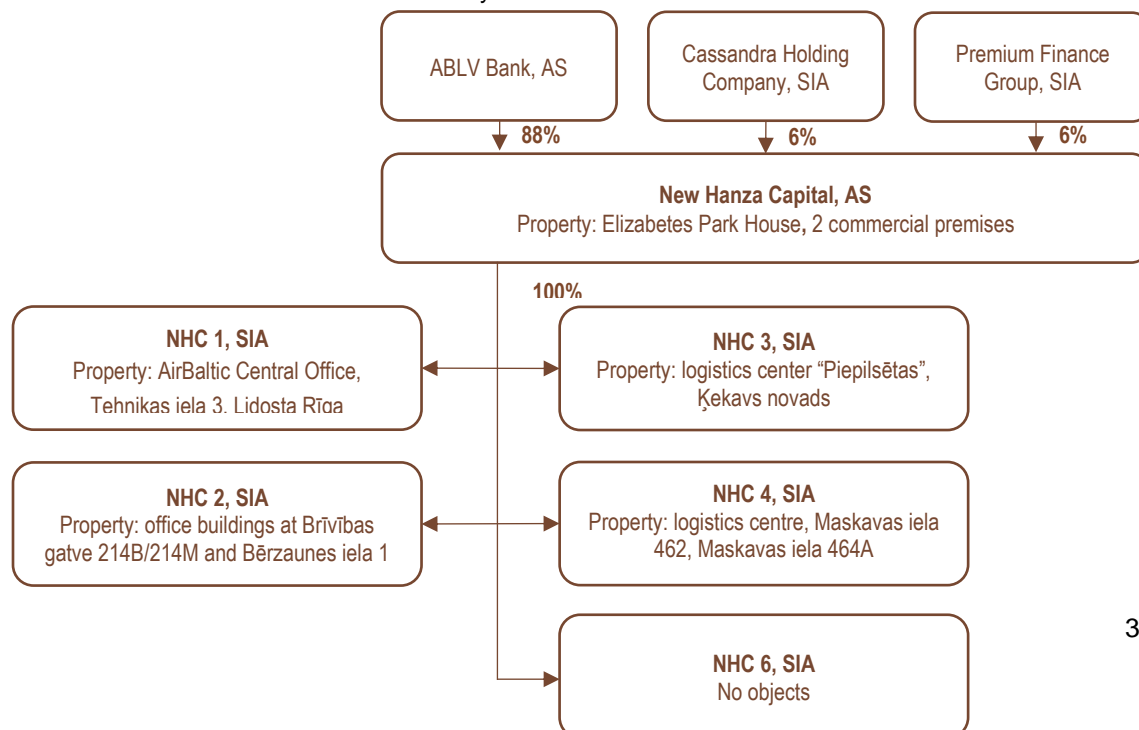
Members of the Council and their positions

From 4 august 2016 to 12 February 2018
 Ernests Bernis, Chairman of the Council
 Ieva Valtere, Deputy Chairperson of the Council
 Māris Kannenieks, Member of the Council
From 13 February 2018 till 19 March 2018
 Ernests Bernis, Chairman of the Council
 Edgars Miļūns, Deputy Chairperson of the Council
 Edgars Pavlovičs, Member of the Council
 Māris Kannenieks, Member of the Council
From 20 March 2018
 Ernests Bernis, Chairman of the Council
 Edgars Pavlovičs, Deputy Chairperson of the Council
 Māris Kannenieks, Member of the Council

Reporting period

1 January 2017 - 31 December 2017

Group structure



Group Management Report

New Hanza Capital, AS, (hereinafter – the Company or NHC) is a company founded by the ABLV Group. The Company has been investing in commercial properties since 2015. New Hanza Capital, AS and its subsidiaries (hereinafter – the Group) focus on acquiring cash generating commercial properties with future income potential. The business objective of the Company is to invest its own funds, as well as third party funds in commercial properties, sustainably increase rental income and promote long term property value and capital growth.

The Group specialises in the acquisition of office buildings, warehouses and logistic centres. Our priority is to invest in already existing and operating commercial properties. At the same time, part of investments are intended to be made in various property construction and development projects. The investment strategy entails direct acquisition of real estate, as well as purchase of equity interest in companies holding the respective properties.

Key events in the year 2017

January 2017

New Hanza Capital, AS introduced a new brand, thus commencing a new phase of its development. The graphic symbol of the Group's new logo is a stylised wall that symbolises the Group's stability and investment security. The crenelated wall bears an implicit reference to the Hanseatic League in the name of the Company. The Company also chose a new generation domain for the Group homepage — www.nh.capital.

February 2017

New Hanza Capital, AS acquired 30% of the shares in the alternative investment fund manager SG Capital Partners AIFP, SIA. SG Capital Partners AIFP, SIA provides third party funds management services at an institutional level.

March 2017

NHC 3, SIA entered into a loan agreement with Swedbank, AS for EUR 4 000 000, thus refinancing the loan for which an agreement between New Hanza Capital, AS as a lender and NHC 3, SIA as a borrower had been signed on 26 August 2016.

April 2017

New Hanza Capital, AS share capital was increased from EUR 15 000 000 to EUR 18 000 000.

June 2017

New Hanza Capital, AS share capital was increased from EUR 18 000 000 to EUR 25 000 000.

NHC 4, SIA bought real estate for EUR 4 620 000 at an auction.

July 2017

NHC 4, SIA share capital was increased from EUR 10 000 up to EUR 1 100 000.

In July 2017, New Hanza Capital, AS started cooperation with one of the leading Alternative investment fund administration companies in Germany.

August 2017

New Hanza Capital, AS issued a loan of EUR 1 010 000 to NHC 2, SIA in the form of a credit line.

On 7 August 2017, NHC 2, SIA made a prepayment of EUR 1 000 000 for real estate in accordance with the real estate purchase agreement, dated 7 August 2017. The property consists of three office buildings in the former State Electrotechnical Factory (hereinafter - VEF) territory in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1.

September 2017

New Hanza Capital, AS gave out a loan to NHC 2, SIA amounting to 7 600 000 EUR and NHC 4, SIA amounting to 1 200 000 EUR in the form of a credit line.

NHC 2, SIA paid the outstanding purchase price of EUR 7,459,182 for real estate acquisition in the former VEF territory. Property ownership in the name of NHC 2, SIA was registered with the Land Register on 18 September 2017.

New Hanza Capital, AS increased the NHC 2, SIA share capital from EUR 10,000 to EUR 2 000 000.

In cooperation with IntReal, one of the leading German Alternative investment fund administrators, the Company established an Alternative real estate investment fund *New Hanza Capital Fund 2017* in Germany.

October 2017

On 12 October 2017, NHC 4, SIA changed the Board composition by removing the Board Member Arnolds Romeiko and appointing Pēteris Guļāns as a Board Member.

On 18 October 2017, the Company received EUR 10 000 000 raised through the bond issue. The annual interest rate of the bonds is fixed: 4.9% with coupon payment twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The issuer may exercise the call option prematurely.

On 19 October 2017, the bonds were admitted to regulated market — included in the Baltic Bond List of Nasdaq Riga (ISIN LV0000802312).

December 2017

NHC 4, SIA completed the acquisition of the logistics complex in Riga, Maskavas iela 462 and Maskavas iela 464A. The property was purchased at an auction for EUR 4.6 million in the 2nd quarter of 2017. Afterwards, additional associated real estate was acquired. The property consists of 12.55 ha land and three modern warehouses with offices constructed during the past 10 years. Total rentable area of the logistics complex amounts to 27.9 thousand m². The largest tenant of the acquired logistics complex is Latačko, SIA, one of the leading car industry companies in the Baltic countries. The property also contains outdated buildings occupying ~7.5 ha of land that the Group plans to demolish in order to free up space for future development.

Group key financial indicators

The Group result for the reporting period amounts to a EUR 7.94 million profit after tax. The Company closed the 4Q 2017 with a loss of EUR 348 thousand. The Group result for 2017 was primarily impacted by revaluation of investment properties, where income from the increase in investment property value was recognised. The Company losses were primarily caused by non-recurring expenses associated with bond emission, as well as professional service and deal due diligence expenses. As the Group subsidiaries act according to the Company's objectives and the nature of their activities in the reporting period did not differ materially from that of the Company the Group management focusses on analysing only the consolidated results of the Group.

The Group profit and cash flow indicators	Unit	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Income	EUR	1 643 524	452 295	659 614
Adjusted EBITDA	EUR	326 858	(67 039)	119 672
Adjusted EBIT	EUR	320 674	(67 039)	119 672
Profit after tax	EUR	7 937 528	(96 801)	84 750
Cash flows from operating activities	EUR	481 330	40 419	302 828

Group balance sheet indicators	Unit	31.12.2017	31.12.2016	31.12.2015
Assets	EUR	52 362 834	20 024 820	1 818 613
<i>Incl. investment property</i>	EUR	35 453 395	13 143 000	748 000
<i>Incl. current assets</i>	EUR	16 835 146	6 757 226	1 044 909
Shareholders' equity	EUR	32 954 241	15 016 713	1 613 514
Liabilities	EUR	19 408 593	5 008 107	205 099
<i>Incl. short term liabilities</i>	EUR	1 861 576	297 129	179 487

Group financial ratios ¹	Unit	31.12.2017	31.12.2016	31.12.2015
Adjusted EBITDA margin	%	19.89%	-14.82%	18.14%
Adjusted EBIT margin	%	19.51%	-14.82%	18.14%
Net profit margin	%	482.96%	-21.40%	12.85%
Equity ratio	%	62.93%	74.99%	88.72%
Return on equity	%	24.09%	-0.64%	5.25%
Return on assets	%	15.16%	-0.48%	4.66%
Total liquidity ratio	%	904.35%	2274.17%	582.16%

Investment property indicators of the Group	Unit	31.12.2017	31.12.2016	Change %
Number of investment properties	pcs.	8	4	-
Market value of investment properties	EUR	35 453 395	13 143 000	169.75%
Rentable area	m ²	69 768	19 808	252.38%
Annual contractual rent fee	EUR	2 875 981	856 367	235.84%
Return on investment properties at market value ²	%	8.11%	6.52%	24.50%
WAULT ³	years	3.48	5.22	-33.33%
Weighted average rent rate ⁴	EUR/m ²	4.24	5.18	-18.17%
Weighted average occupancy ⁵	% of rentable area	85.05%	69.61%	22.18%

¹ Explanation of ratios

Adjusted EBITDA = Earnings before interest, tax, depreciation and amortization, gains and losses from investment property revaluation

Adjusted EBIT = Earnings before interest, taxes, gains and losses from investment property revaluation

EBITDA margin = EBITDA (in a 12 month period) / revenue (in a 12 month period) * 100%

EBIT margin = EBIT (in a 12 month period) / revenue (in a 12 month period) * 100%

Net profit margin = Net profit (in a 12 month period) / revenue (in a 12 month period) * 100%

Equity ratio = value of equity / value of assets at the period end

Return on equity (ROE) = profit or loss after tax (in a 12 month period) / value of equity at the period end * 100%

Return on assets (ROA) = profit or loss after tax (in a 12 month period) / value of assets at the period end * 100%

Total liquidity ratio = current assets at the reporting date / current liabilities at the reporting date

² **Return on investment properties at market value** = annual rent defined in the agreements / market value of investment properties.

³ **WAULT** = area (m²) weighted average unexpired lease term at the given date.

⁴ **Weighted average rental rate** = area (m²) weighted average rental rate at the given date, EUR/m² p.m.

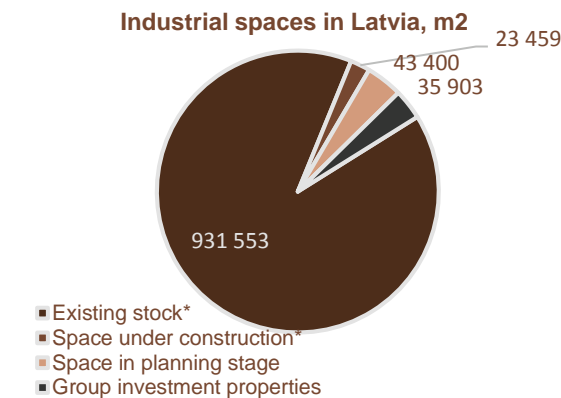
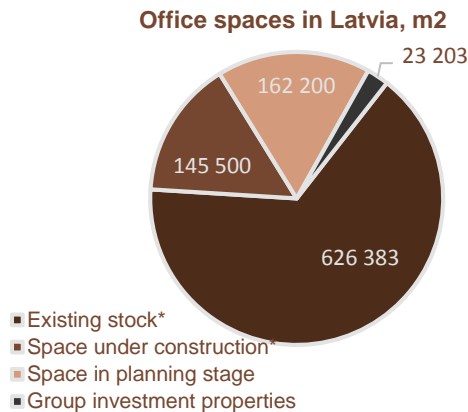
⁵ **Weighted average occupancy** = area (m²) weighted average occupancy of the investment properties at the given date.

Business environment

2017 was characterized by moderate investment activity in the Latvian commercial real estate (CRE) market, with an investment volume of EUR ~149 million in income generating objects, of which 10% was generated through Group investment activity.

Following 2016 net initial yields continued to decrease in 2017, reaching ~6.7% in the office real estate market at the year end. The yield contraction trend observed in the local market is in line with developments in other EU countries. For example, prime yields in the German office market neared 3% in the biggest cities at the end of 2017 according to the Group management observations.

Given the continuing downward pressure on net initial yields experienced in 2017, the Group changed its focus from *Core* assets to *Value-Add* objects. The Group strategy is to lower asset risk through active asset management while enjoying higher returns on invested capital. Additionally, the Group has increased its involvement in industrial real estate market where net initial yields tend to be on average higher than those in the office real estate market.



* excluding Group investment property spaces

In the past two years there has been a relative stability on the market of offices in Riga. Moreover, no major future changes in rent levels are expected. During 2017 space take-up amounted to 17 800 m². Take-up in the Group investment properties amounted to 10.6% of the aforementioned total take-up. The expected increase in office space stock in the coming five years is 145 500 m²¹, which is 23% from the existing modern office space in Riga¹.

It is expected that the demand for modern office spaces in Riga will remain on the current level, while new space coming to the market having little effect on the current market rents in this category. Additionally, some redevelopment projects of old office stock will be carried out in Riga. The Group plans to renovate an office block in the territory of the former State Electrotechnical Factory (VEF), converting old spaces to modern offices. These will be let to tenants with higher demands for space quality.

There was moderate activity in the industrial space letting market in 2017 – during the reporting period take-up amounted to 66 060 m². The Group properties accounted for 12% of this industrial space letting turnover. The high demand for industrial spaces observed in recent years did not lead to an overly active development of new industrial spaces. For example, in 2017 23 459 m² of industrial spaces were under construction, which is 2.5% of the total industrial space stock in Riga and its surroundings. Given the relatively higher returns on capital in the industrial space market, the Group has expanded its investment property portfolio with an additional logistics centre, by acquiring a property in Maskavas iela. The Group plans to raise the quality of the existing spaces, as well as develop additional spaces within the same property land area.

¹ Real estate market overview, Annual Review 2018, Colliers International. Statistics cover A and B class properties in the context of office spaces.

2018 Strategy and Goals

Market positioning and goals

New Hanza Capital is a new player in the local CRE market. However, taking into account the available fundraising recourses, as well as its highly qualified and experienced team, during the next three years the Group plans to become one of the leading companies in the Latvian real estate investment management market.

The largest shareholder of New Hanza Capital, AS (hereinafter – the Company) is ABLV Bank, AS. On 26 February ABLV Bank, AS shareholders made a decision to start a liquidation process. On 5 March 2018 a liquidation plan was handed in to the authorities – Financial Capital and Market Commission (hereinafter – FCMC). The liquidation plan included a valuation of the ABLV Bank, AS subsidiaries, including the Group subsidiaries, and respective underlying assets and the Company’s ability to continue operations without additional financing. Both scenarios of forced asset sell-off and continuation of operations were valued in order to determine the best option for guarding the interests of the creditors of ABLV Bank, AS. At the moment all Group assets are profitable, and the Group has a positive consolidated cash flow. All Group assets have positive development prospects, while their value is expected to increase as a result of development works. The Group does not require additional financing in order to continue as a going concern.

Considering the facts described above, the Group shareholders decided that the optimal scenario for the Group is to continue operations for the next 12 months. In case the liquidation plan of ABLV Bank, AS is rejected in its current draft, liquidators appointed by FCMC are likely to come to the same conclusion on the Group future prospects, given that forced asset sale is likely to lead to significant losses. The Group management believes that the Group will continue as going concern, as well as develop existing assets in order to realize their potential value. The Group consolidated cash flow is positive and it does not need additional financing for investment property development or continuation of operations.

Group strategy

In order to achieve its goals the Group has to further develop its internal operations and control systems, prepare and attract additional professionals, as well as work on cooperation with industry participants (brokers, appraisers, targeted CRE owners, developers, property managers and CRE financiers) in each of target cities and countries.

The Group plans to attract secured loans for new investments from banks active in target markets, as well as increase equity by issuing unsecured bonds.

Goal and strategy indicators

Indicator	Actual results		Forecast	
	2017	2018	2019	2020
ROE	24.09%	>10%	>10%	>10%
ROA	15.16%	>6%	>6%	>6%
Occupancy in Group properties	85.05%	>90%	>90%	>90%

2017 results against Group strategy

At the end of the reporting period the Group has overachieved its target for return on equity (ROE) and return on investment (ROA). The primary driver of the 2017 result was revaluation of Group investment property. In the coming years, the Group will focus on improving property quality, as well as additional space development in order to ensure that future financial results are increasingly driven by operational cash flow.

Group investment property occupancy at the end of 2017 was 85%, which is 5 base points below the budget target. Given that 72% of the Group lettable area was acquired during the second half of 2017, this occupancy figure partially reflects the previous asset manager results that have an improvement potential in the future. At the end of 2017, occupancy in Group objects acquired in previous reporting periods was 94%.

Potential risks and risk management

Unforeseeable legal and regulatory changes can have a material impact on the Group operations, both on its income and expenses. An example of such changes are changes in the real estate tax calculation base or real estate tax rate, as well as changes in lending interest rates or changes in tenant creditworthiness. In order to minimize the potential impact of the aforementioned risks Group management closely tracks developments around new legal and regulatory changes, as well as performs sensitivity analyses in order to prepare potential adaptation strategies.

The return on invested capital of the Group is also dependent on the total expenses and amounts of secured debt. Currently, the Group management plans to purchase cash flow generating properties with 65% LTV. Additionally, capital expenditures

and development projects are expected to be at least 50% externally financed. The amount of secured debt the Group is able to obtain is dependent on the credit policy, as well as total capital base of the commercial banks active in the target markets. In order to decrease the risk of external finance access lack or expense increase the Group management ensures the company operations are maximally transparent, while adhering to the highest ethical and professional standards in its operation.

Operational risk

Operational risk is a risk of direct or indirect loss caused by non-complying or incomplete internal processes, human error or systems failure, as well as external factors. Operational risk comprises legal risk but excludes strategic and reputational risk. Operational risk is inherent in all activities, processes, and systems of the Group.

The Group management employs a range of operational risk identification and prevention measures. Operational risk is continuously monitored, adequately controlled and minimized. The Group follows below listed procedures for purposes of operational risk management:

- process automation – investments in data processing and information security technologies to automate processes;
- outsourcing – partial elimination of causes of operational risk by making use of outsourcing service providers;
- a system of limits – setting of limits for certain transactions, employees and Group business activities;
- prudent organisation of Group business processes through application of the following principles: segregation of functions, independent performance evaluation, authorisation of transactions;
- insurance – it is used to minimise operational risk loss caused by low-probability events having significant potential losses.

Corporate social responsibility (CSR)

Environmental and social responsibility underpin the Group long term sustainable development strategy. In its executed and planned investments, the Group:

- promotes long term sustainable development of the local CRE market by focusing on environmental impact and resource use efficiency on the level of each property;
- promotes the improvement of tenant environment by offering the highest quality property management services;
- promotes city development on the local level through development and reconstruction projects;
- promotes the development of the local CRE investment management market by attaining to the highest ethical and professional standards in CRE transactions.

Group environmental impact

Properties in the current Group real estate portfolio are managed and developed with consideration of environmental and social impact. In their actions, both Group asset managers, and contracted property managers identify stakeholders on the level of each property and evaluate the impact of their actions on the parties under consideration. Future development plans are discussed with major stakeholders already at the planning stage. Special attention is paid to property energy efficiency and sustainability.

Group social impact

Group employees, as well as business partners strive to provide services of the highest quality. Group employees in their daily operations use ISO 26000:2010 social responsibility standards as guidance. Special attention is given to providing tenants and their guests with the highest quality services. Group management plans to raise the standards of such services up to the standards in the developed EU countries. Additionally, in order to raise the resource use effectiveness, Group management plans to introduce more digital solutions to investment and property management.

Group management supports employee participation in charity events and campaigns, including projects organized by the ABLV Charitable Foundation. Additionally, the Group participates in Pillar Group organized campaigns, as an example, in the yearly Christmas present delivery to the SOS Riga Family support centre.

Group impact on the city of Riga

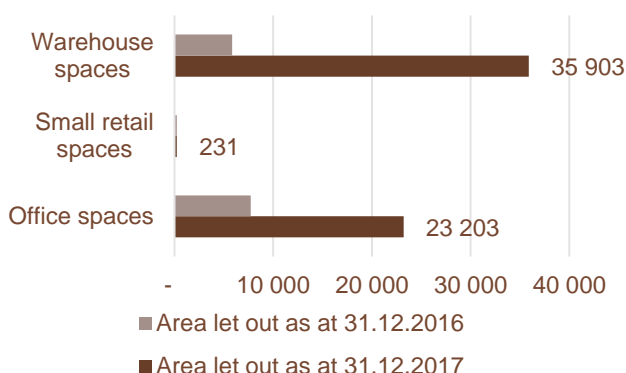
By investing in CRE and development projects, the Group and its Associate promote the development of Riga, improvement and renewal of the city real estate and neighbourhoods. For example, the VEF historical reconstruction project, carried out by NHC 2, SIA, involves a revitalization of a whole office block. The project targets to spur innovation industry return to the VEF territory, 20th century headquarters of the leading communication technology producer in the region.

Group impact on the local investment market

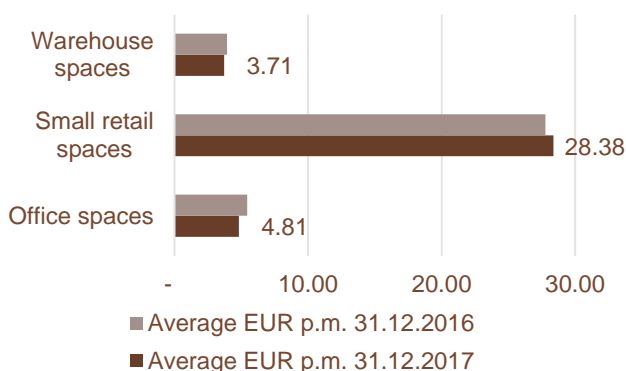
Due to commitment to highest professional and ethical standards, the Group has a considerable and positive impact on the local investment market. The Group promotes improvement of the local market player professional standards, as well as strives to increase the attractiveness and transparency of the investment market as a whole.

Group performance indicators

Rented area of the Group investment properties in breakdown by space type, m²



Weighted average rent in Group investment properties by space type, EUR/m²



lower due to the older age of the premises when compared to "Piepilsētas."

The total average weighted rent per square meter for all of the Group's investment properties decreased to 4.24 EUR/m² as a result of the aforementioned events.

Top 5 tenants by rented area in the reporting period:

Tenant	Rented area (m ²), 31.12.2017
LATAKKO SIA	25 926
Air Baltic Corporation, AS	6 217
Mikrotīkls, SIA	4 355
FORANS, SIA	2 829
DLW Latvija, SIA	2 742
Total	42 068

On behalf of the Board:

Aija Hermane-Sabule
 Member of the Board

Arnolds Romeiko
 Member of the Board

19 April 2018

During the reporting period, the Group acquired three office buildings in the territory of the former State Electrotechnical Factory (VEF) in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1 with the total rentable area of over 22 thousand square meters.

Additionally, the Group acquired a logistics complex at Maskavas iela 462 / 464A. The property consists of 12.55 ha land and buildings with a total rentable area of 27.9 thousand m². The largest tenant of the acquired logistics complex is Latakko, SIA – one of the leading car industry companies in the Baltic countries. Rent agreements with the logistics center tenants commence on 1 January 2018. Hence, income from rent fees and property management of the logistics centre at Maskavas iela will be recognized in the Group financial statements starting with 1 January 2018.

At the end of the reporting period, the total rentable area in the investment properties reached 70 thousand square meters.

The average occupancy rate in the portfolio of warehouses and small retail areas at the end of the 4th quarter of 2017 neared 100% and that of office spaces was 69%.

During the reporting period there was a drop in average weighted rents in Group office buildings. This was caused by the acquisition of office buildings in the territory of the former VEF. After evaluating the growth potential for these office premises and in order to provide high quality rent services to existing and potential tenants the Group plans to improve the building technical condition. This is expected to facilitate growth in occupancy and rent levels in the long term.

There was also a moderate decrease in weighted average rents in Group warehouse spaces calculated at the end of the reporting period. This was caused by the acquisition of a logistics centre on Maskavas iela where average rent is

Statement of the Management's responsibility

The Board of New Hanza Capital, AS is responsible for the preparation of the Company financial statements for the twelve-month period, as well as for the preparation of the consolidated financial statements of the Company and its subsidiaries.

The financial statements for the year and the notes thereto set out on pages 12 through 48 are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 31 December 2017 and 31 December 2016, and the results of their operations, changes in the share capital and reserves and cash flows for the twelve months of 2017 and the twelve months of 2016.

These financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) on a going concern basis. Prudent and reasonable judgments and estimates have been made by the management in preparation of these interim financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, safeguarding of the Group's assets, and prevention and detection of fraud and other irregularities in the Group. Statement of Corporate Governance is available on the Company homepage www.nh.capital.

On behalf of the Board:



Aija Hermane-Sabule
Member of the Board



Arnolds Romeiko
Member of the Board

19 April 2018

Consolidated and Separate Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for the twelve month period ended 31 December 2017

	Notes	Group 01.01.2017 - 31.12.2017 EUR	Group 01.01.2016 - 31.12.2016 EUR (* Adjusted)	NHC 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2016 - 31.12.2016 EUR
Income	10	1 643 524	452 295	197 640	89 574
Operating expenses	11	(686 562)	(202 990)	(240 320)	(44 376)
Gross profit		956 962	249 305	(42 680)	45 198
Selling expenses		-	(11 445)	-	(11 445)
Administrative expenses	12	(526 227)	(322 259)	(424 787)	(295 915)
Other operating income		-	75 093	-	55 000
Other operating expenses		(110 061)	(57 733)	(73 070)	(55 501)
Other interest and similar income		1 295	856	314 011	169 997
Interest and similar expenses	13	(266 733)	(90 460)	(110 559)	(57 930)
Investment property revaluation	14	8 060 646	-	-	-
(Loss)/ profit before taxes		8 115 882	(156 643)	(337 085)	(150 596)
Corporate income tax for the reporting period	15	(71 107)	-	-	-
Deferred tax	15	(107 247)	59 842	(11 020)	22 432
(Loss) / profit of the reporting period		7 937 528	(96 801)	(348 105)	(128 164)
Total amount of comprehensive income		7 937 528	(96 801)	(348 105)	(128 164)

*) For adjustments please see Note 27.

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:



Aija Hermane-Sabule
Member of the Board



Arnolds Romeiko
Member of the Board

19 April 2018

Statements of Financial Position as at 31 December 2017

	Notes	Group 31.12.2017 EUR	Group 31.12.2016 EUR (*Adjusted)	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Assets					
Non-current assets					
Intangible assets		3 742	-	3 742	-
Property and equipment		56 258	-	56 258	-
Investment property	14	35 453 395	13 143 000	748 000	748 000
Investments in subsidiaries	16	-	-	5 696 362	2 616 362
Investment in associated companies	17	14 293		7 500	
Loans to related parties	18	-	-	7 734 000	587 000
Finance lease receivables		-	17 347	-	17 347
Deferred tax assets	15	-	107 247	-	11 020
Total non-current assets		35 527 688	13 267 594	14 245 862	3 979 729
Current assets					
Trade receivables	24 b	144 517	95 195	6	-
Due from related parties	24 b	128	-	158 867	760
Loans to related parties	18	-	-	4 774 000	5 061 000
Finance lease receivables		-	8 358	-	8 358
Financial instruments at fair value through profit and loss	19	12 183 736	-	12 183 736	-
Other assets		287 586	108 746	59 589	26 329
Cash	20	4 219 179	6 544 927	4 032 651	6 503 861
Total current assets		16 835 146	6 757 226	21 208 849	11 600 308
Total assets		52 362 834	20 024 820	35 454 711	15 580 037

*) For adjustments see Note 27.

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:



Aija Hermane-Sabule
 Member of the Board



Arnolds Romeiko
 Member of the Board

19 April 2018

Statements of Financial Position as at 31 December 2017

	Notes	Group 31.12.2017 EUR	Group 31.12.2016 EUR (*Adjusted)	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Liabilities					
Equity					
Share capital	21	25 000 000	15 000 000	25 000 000	15 000 000
Reserves:					
Retained earnings/ accumulated (loss) of previous periods		16 713	113 514	(14 650)	113 514
Profit / (loss) of the reporting period		7 937 528	(96 801)	(348 105)	(128 164)
Total equity		32 954 241	15 016 713	24 637 245	14 985 350
Long-term liabilities					
Loans	22*	8 046 159	4 627 465	435 238	457 160
Bonds	22*	9 414 004	-	9 414 004	-
Other liabilities	23	86 854	83 513		
Total long-term liabilities		17 547 017	4 710 978	9 849 242	457 160
Short-term liabilities					
Loans	22*	393 023	116 362	22 238	21 865
Bonds	22*	689 440	-	689 440	-
Amounts due to suppliers		58 610	25 481	23	2 844
Due to related parties	26 b	228 948	-	87 800	1 007
Corporate income tax		71 107	-	-	-
Other taxes		1 030	5 433	-	-
Other liabilities	23*	224 657	38 722	14 200	14 200
Accrued liabilities		194 761	111 131	154 523	97 611
Total short-term liabilities		1 861 576	297 129	968 224	137 527
Total liabilities and equity		52 362 834	20 024 820	35 454 711	15 580 037

*) For adjustments see Note 27.

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:


 Aija Hermane-Sabule
 Member of the Board


 Arnolds Romeiko
 Member of the Board

19 April 2018

Statements of Cash Flows for the twelve month period ended 31 December 2017


	Notes	Group 01.01.2017 - 31.12.2017 EUR	Group 01.01.2016 - 31.12.2016 EUR (*Adjusted)	NHC 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2016 - 31.12.2016 EUR
Cash flows from operating activities					
(Loss) / profit of the reporting period before tax		8 115 882	(156 643)	(337 085)	(150 596)
Adjustments for:					
Impairment of fixed assets		6 184	-	6 184	-
Income from investments in associated companies	17	(6 793)	-	-	-
Interest income		(1 295)	(856)	(314 011)	(169 997)
Impairment of long-term and short-term financial investments		(4 736)	-	(4 736)	-
(Gain) / loss on revaluation of investment property	14	(8 060 646)	-	-	-
Interest expenses	13	266 733	90 460	110 559	57 930
Profit before changes in working capital		315 329	(67 039)	(539 089)	(262 663)
Loans repaid		25 705	8 153	25 705	8 153
Interest received		1 295	856	239 929	169 997
(Increase)/ decrease in trade receivables		(228 290)	116 112	(117 291)	292 793
Increase/ (decrease) in payables		523 021	68 835	141 265	(78 083)
Interest expenses		(155 730)	(86 498)	(7 131)	(57 591)
Cash flows from/ (used in) operating activities		481 330	40 419	(256 612)	72 606
Cash flows from investing activities					
Acquisition of investment property	14	(14 249 749)	(12 395 000)	-	-
Acquisition of shares in related companies/ net cash paid		(7 500)	(57 928)	(3 087 500)	(2 616 362)
Acquisition of intangible assets and property and equipment		(66 184)	-	(66 184)	-
Loans issued		-	-	9 879 000	(11 032 000)
Loans repaid		-	-	(16 739 000)	5 384 000
Financial instrument purchase		(12 179 000)	-	(12 179 000)	-
Net cash flows generated from/ (used in) investing activities		(26 502 433)	(12 452 928)	22 192 684	(8 264 362)
Cash flows from financing activities					
Income from equity investments		10 000 000	13 500 000	10 000 000	13 500 000
Loans received	22	14 000 000	10 910 000	10 000 000	6 610 000
Repayment of shareholder loans	22	(304 645)	(6 169 437)	(21 914)	(6 131 256)
Net cash flows from financing activities		23 695 355	18 240 563	19 978 086	13 978 744
Increase/(decrease) in net cash during the reporting period		(2 325 748)	5 828 054	(2 471 210)	5 786 988
Cash at the beginning of the reporting period		6 544 927	716 873	6 503 861	716 873
Cash at the end of the reporting period	20	4 219 179	6 544 927	4 032 651	6 503 861

*) For adjustments see Note 27.

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:


 Aija Hermane-Sabule
 Member of the Board


 Arnolds Romeiko
 Member of the Board

19 April 2018

Group's Statement of Changes to the Shareholders Equity for the twelve month period ended 31 December 2017

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total capital and reserves
At 1 January 2016		1 500 000	40 813	72 701	-	1 613 514
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	(96 801)	(96 801)
Transactions with shareholders						
Share issue	21	13 500 000	-	-	-	13 500 000
Decrease of reserves		-	(40 813)	40 813	-	-
As at 31 December 2016 (as previously reported)		15 000 000	-	113 514	(145 479)	14 968 035
As at 31 December 2016 (adjustment)		-	-	-	48 678	48 678
As at 31 December 2016 (adjusted)		15 000 000	-	113 514	(96 801)	15 016 713
At 1 January 2017		15 000 000	-	16 713	-	15 016 713
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	7 937 528	7 937 528
Transactions with shareholders						
Share issue	21	10 000 000	-	-	-	10 000 000
As at 31 December 2017	21	25 000 000	-	16 713	7 937 528	32 954 241

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:



Aija Hermane-Sabule
 Member of the Board



Arnolds Romeiko
 Member of the Board

19 April 2018

Company's Statement of Changes to the Shareholders Equity for the twelve month period ended 31 December 2017

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous period	(Loss) of the period	Total capital and reserves
At 1 January 2016		1 500 000	40 813	72 701	-	1 613 514
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	(128 164)	(128 164)
Transactions with shareholders						
Share issue	21	13 500 000	-	-	-	13 500 000
Decrease of reserves		-	(40 813)	40 813	-	-
As at 31 December 2016		15 000 000	-	113 514	(128 164)	14 985 350
At 1 January 2017		15 000 000	-	(14 650)	-	14 985 350
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	(348 105)	(348 105)
Transactions with shareholders						
Share issue	21	10 000 000	-	-	-	10 000 000
As at 31 December 2017	21	25 000 000	-	(14 650)	(348 105)	24 637 245

The accompanying notes on pages 18 to 48 form an integral part of these financial statements.

On behalf of the Board:



Aija Hermane-Sabule
 Member of the Board



Arnolds Romeiko
 Member of the Board

19 April 2018

Notes to the financial statements

1. The reporting entity and group

The entity preparing the Group consolidated financial statements and the Company separate financial statements New Hanza Capital, AS (the Company or NHC) was registered with the Enterprise Register of the Republic of Latvia on 6 June 2006. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. For information on the Company's ownership structure please refer to page 3. Information on ultimate beneficial owners of the Company largest shareholder is available on the largest shareholder's homepage www.ablv.com. Since the end of 2015, the Company has been investing its own funds and the funds of third parties in cash generating commercial properties.

The Group consolidated and the Company separate financial statements for the period from 1 January 2017 to 31 December 2017 present the financial information of the Company and its subsidiaries (the Group). In line with applicable requirements these consolidated financial statements for the period from 1 January 2017 to 31 December 2017 include the Company's separate financial statements. The Company is the Group parent company.

The Group consists of the following companies:

New Hanza Capital, AS – the Company owns two commercial premises in Elizabetes iela 21A, Riga, leased to long term tenants.

NHC 1, SIA was registered in the Latvian Enterprise Register on 9 September 2009. The legal address of the NHC 1, SIA is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 1, SIA is lease and management of own real estate property. 100% of shares of NHC 1, SIA were acquired by the Company and included in the Group on 21 January 2016. NHC 1, SIA owns an office building at Tehnikas iela 3, Riga International Airport in Mārupe district, which is leased out to Air Baltic Corporation, AS.

NHC 2, SIA was registered in the Latvian Enterprise Register on 25 January 2016. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 2, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 2, SIA and it is included in the Group. NHC 2, SIA owns three office buildings in Riga, the territory of the former State Electrotechnical Factory (VEF), Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1.

NHC 3, SIA was registered in the Latvian Enterprise Register on 20 May 2016. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 3, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 3, SIA and it is included in the Group. NHC 3, SIA owns an office and warehouse complex, located in *Piepilsētas*, Krustkalni, Ķekavas pagasts, Ķekavas novads. The complex is rented out on a long-term basis.

NHC 4, SIA was registered in the Latvian Enterprise Register on 15 November 2016. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 4, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 4, SIA and it is included in the Group. NHC 4, SIA owns a warehouse complex in Riga, Maskavas iela 462 and Maskavas iela 464A. The complex is predominantly rented out on a long-term basis.

Subsidiaries NHC 5, SIA and NHC 6, SIA were registered with the Enterprise Register of Latvia on 15 November 2016. The legal address of these companies is Pulkveža Brieža iela 28A, Riga, LV-1045. The line of business of NHC 5, SIA and NHC 6, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 5, SIA and NHC 6, SIA and these companies are included in the Group. At the date of these financial statements NHC 5, SIA and NHC 6, SIA do not own any real estate.

On 8 February 2017 the Company acquired 30% of shares of the alternative investment fund manager SG Capital Partners AIFP, SIA for EUR 7 500, with the nominal value of each share of EUR 1, totalling to 7 500 shares. SG Capital Partners AIFP, SIA was registered in the Latvian Enterprise Register on 16 November 2015. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. SG Capital Partners AIFP, SIA provides funds management services to institutional clients in the Baltics.

2. Accounting principles

These Group consolidated and Company stand-alone financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) on a going concern basis. The basis for the Group going concern is described in Note 28. These financial statements were approved by the Board for release on 18 April 2018, and will be approved by the Company shareholders. The Company's shareholders have the right to reject the financial statements prepared and handed in by the Board, and request the preparation of new financial statements.

2017 comparable figures for the financial year 2016 are classified according to the financial year 2017 principles, and are fully comparable. In financial year 2017, in comparison with the financial report for the year 2016, corrections in recognition of revenue, presented in Note 27, were made, changes in classification of positions in relation to interest on loan received, indicated in Note 27, were made and changes in the long-term and short-term split of liabilities, shown in Note 27, were made.

These financial statements cover the 12 months from 1 January 2017 to 31 December 2017.

The accounting methods are consistently applied by all companies within the Group.

3. Estimates and judgments

The preparation of financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key judgments and estimates are:

a) Valuation of investment property

Land and buildings held to earn rental income are classified as investment property and are measured at fair value, with any changes in fair value recognised as profit or loss in the statement of comprehensive income. Investment property is valued by an external certified appraiser (refer to Note 14 - Investment property). In cases where specific assumptions of the external appraiser are not deemed to be acceptable, there may be internal value corrections.

b) Business combination vs acquisition of assets

The Group acquires investment property with effective rent agreements. In order to establish whether the acquired investment property qualifies as a business the Group performs an analysis based on the criteria laid down in IFRS 3 Business Combinations. It has been determined by the management that the investment properties acquired during the reporting year do not qualify as businesses as these properties were acquired with rent agreements but without any agreements that determine processes such as real estate management.

c) Recognition of investment property

Investment property is recognised by the Group after the title to the property has been registered in the Land Register or the act of acceptance and transfer of the property has been approved.

d) Going concern

At the moment, all assets of the Group generate profit and the Group has positive cash flows.

All Group assets have a potential for growth and are expected to appreciate by way of planned improvements. For more information on the continuation of Group operations past the reporting period please refer to Note 28.

e) Determining fair value of financial instruments

The fair value of financial assets is determined based on external documents such as investment portfolio overviews issued by credit institutions and information available on NASDAQ Riga website regarding the market value of financial assets.

4. Consolidation

These consolidated financial statements include New Hanza Capital, AS and all subsidiaries and associated companies controlled by New Hanza Capital, AS (the Group parent company). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The structure of the Group is shown in Note 16.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated upon consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Associates are companies over which the group has significant influence, however, there is no control over their financial

and business policies. In the Company financial statements interests in associates are accounted for at cost. In the Group financial statements interests in associates are recognized using the equity method. Information on the associated companies is included in Note 17.

5. Basis of measurement

The financial statements are prepared on the historical cost basis except for investment property and financial instruments which are measured at fair value. The profit and loss statement was prepared according to the function cost method. The cash flows statement was prepared according to the indirect method.

6. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currencies

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). The Euro is the Group's accounting and functional currency.

Transactions in foreign currencies were not made during the reporting period.

b) Financial instruments

Financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity instruments of the other party.

The key financial instruments held by the Group/Company are financial assets – bonds, trade receivables, other receivables, other loans, loans to related parties and cash and cash equivalents, and financial liabilities – bonds, loans from credit institutions, accounts payable to suppliers and other creditors arising directly from its business activities.

None of the Group companies are a party to transactions with derivatives.

(i) Recognition

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular purchases of financial assets are accounted for at the settlement date.

(ii) Measurement

Financial assets or liabilities held by the Company are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability, excluding financial assets, held at fair value with fair value changes recognized in the profit and loss statement.

Subsequent to initial recognition, bonds are recognized in their fair value, while changes in value are recognized in the profit and loss statement. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iii) De-recognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the Company transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Company also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale, use in the production or supply of goods or services or for administrative purposes in the ordinary course of business. Investment property is initially recognized at cost and subsequently re-measured to fair value at each reporting date with changes in its fair value recognised in the profit or loss statement.

Cost includes expenses that are directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and any other costs directly attributable to bringing the investment property to its working condition for the intended use, and capitalized borrowing costs.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property (are determined as the difference between the net disposal proceeds and the carrying amount) are recognised in profit or loss in the year of the retirement or disposal.

Transfers to investment property are made only when there is a change in use evidenced by end of owner-occupation, commencement of an operating lease to another party or commencement of development with a view to create investment property. Transfers from investment property are made only when there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

d) Inventories

Real estate property is transferred to inventories if it is planned to sell this property in the ordinary course of business.

Inventories (real estate properties held for sale) are measured at the lower of cost and net realizable value. Net realizable value of inventory is estimated by the management upon identifying that the recoverable amount of inventory is lower than cost. Where the recoverable amount of inventories (real estate properties held for sale) is lower than cost inventories are written down to a value reflecting maintenance related costs expected to be incurred to the date of sale and the cost to make the sale.

Transfers between the above categories are made on a change in use.

e) Leases

i) Leased assets

Finance lease

If the Company leases assets by transferring substantially all the risks and rewards incidental to ownership to the lessee the agreement is classified as a finance lease and the resulting liabilities are reflected as a net investment in lease and disclosed under amounts due from clients.

Operating lease

If the Company leases assets without transferring substantially all the risks and rewards incidental to ownership to the lessee the agreement is classified as an operating lease. An assets of the Group/ Company leased under operating lease is classified in the statement of financial position of the Group / Company as investment property.

ii) Lease payments received

Finance lease

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term.

Operating lease

Income from operating leases is recognized as revenue on a straight line basis over the period of the operating lease. Conditions defined in the lease agreements on the fixed periodic indexation are also included in the lease payment recognition for the respective period.

The minimum amount of claims under non-cancellable property lease transactions at the year-end is disclosed in Note 14.

f) Revenues

i) Income from disposal of real estate property

Income from the disposal of real estate property is recognized when the Group / Company has transferred all the significant risks and rewards incidental to ownership of the asset and the amount of revenue may be reasonably estimated.

ii) Rental income

Income from operating leases of investment property under which all the significant risks and rewards incidental to ownership are not transferred to the lessee is recognised in the profit and loss statement on a straight line basis during the lease term.

g) Finance income

Finance income represents interest income on properties sold under finance lease.

Interest income is recognized in the profit and loss statement using the effective interest rate method.

h) Corporate income tax

(a) Current tax

Current year

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Refer below for a description of the changes applicable from 1 January 2018.

(b) Deferred tax

Under IAS 12 *Income taxes*, deferred tax assets and liabilities should be recognised by applying a rate expected to be applied to retained earnings. According to the new Enterprise Income Tax Law of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profit, while a 0% rate is applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable as nil. This principle has been applied in the Group / Company's financial statements for the year ended 31 December 2017.

Deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period.

Changes to the calculation of Corporate Income Tax as of 1 January 2018

As of 1 January 2018, the new Enterprise Income Tax Law of the Republic of Latvia comes into effect setting out a conceptually new regime for paying taxes. As of the date, the tax rate will be 20% instead of the current 15%, the taxation period will be one month instead of a year and the taxable base will include:

- distributed profit (dividends calculated, payments equalled to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts; excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers; benefits bestowed by the non-resident upon its staff or board (council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it will be possible to utilise these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%. It will be possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

i) Long and short-term classification

Amounts whose terms of receipt, payment or write off are due more than one year after the balance sheet date are classified as long term. Amounts to be received, paid or written off within one year are classified as short-term.

j) Loans

The fair value of loans is estimated as the present value of future cash flows discounted at the market rate of interest at the valuation date. The approximate fair value of shorter-term loans and debts with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant. Fair value is measured at initial recognition and for the purpose of financial statements – at each reporting date.

Subsequent to initial measurement, interest-free loans from related parties are measured at amortised cost, using the market rate. The future cash flows of the loan in the projected time of use or, where possible, in a shorter period, is discounted to their net carrying amount at a market rate. The difference between the nominal value and the initial fair value of the loan is recognised in reserves under equity. As part of subsequent measurement, interest expenses are recognised and the reserve under equity is decreased by an appropriate amount.

g) Employee benefits

Short term employee benefits including remuneration, social contributions, bonuses and benefits, and life insurance premiums, are charged to comprehensive income under production or administrative expenses as provided. Provisions for employee vacation pay are calculated for the Company's personnel based on the total number of vacation days earned but not used, multiplied by the average daily remuneration expense pursuant to the Latvian Labour Law, and adding the related statutory social insurance contributions payable by the employer.

In addition, the Company has approved the procedure for calculation of efficiency bonuses, including a share of the efficiency bonus that is deferred over a four year period. The production or administrative expenses under comprehensive income in the year of calculation include only the share of the efficiency bonus which is actually paid after the approval of the financial statements. The remaining amount is recognised in production or administrative expenses under comprehensive income gradually over the remaining four years.

g) Subsequent events

These financial statements reflect subsequent events that provide evidence of circumstances that existed at the end of the reporting period (adjusting events). Where the nature of subsequent events is other than adjusting they are disclosed in the notes to the financial statements only if they are significant.

7. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group / Company has access at that date. The fair value of liabilities represents the risk of default.

The Group/Company's accounting policy and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.

In determining the fair value of assets or liabilities the Company/Group uses observable market data to the extent possible. Fair value is classified into various levels of the fair value hierarchy, based on data used in the measurement methods:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between the levels of the fair value hierarchy are recognised by the Group/Company at the end of the reporting period during which the transfer occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

- Income approach;
- Market approach.

Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Investment property

The Group's/Company's portfolio of investment property is valued on an annual basis by an external, independent valuation company using the discounted cash flow approach and/or the market approach, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. Fair value is measured both using the discounted cash flow approach with a terminal value component at the end of the cash forecast period, the income approach and the market approach.

The gross value of investment property is derived by applying market yields to the estimated value of lease. Where the actual lease payment is significantly different from the estimated payment adjustments are made to reflect the actual lease payment.

The market approach is based on market values, being the estimated amount for which property could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

b) Financial assets

The fair value of loans is estimated as the present value of future cash flows discounted at the market rate of interest at the valuation date.

The approximate fair value of performing short-term financial assets with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant.

Fair value is measured at initial recognition and for the purpose of financial statements – at each reporting date.

c) Financial liabilities

Non-derivative financial liabilities are measured at fair value at initial recognition and for reporting purposes - at each reporting date. For disclosure purposes, the fair value of financial liabilities with maturities exceeding 6 months is calculated based on the present value of future cash flows from payment of principal and interest discounted at the market rate of interest as at the reporting date.

The approximate fair value of short-term financial assets with undefined interest rates is assumed to equal their value at initial recognition and their subsequent carrying amount as the effect of discounting is considered to be insignificant.

8. Financial risk management

The Company and the Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk.

This note presents information about the Group's/Company's exposure to each of the above risks, the Group's/Company's objectives, policies and processes for measuring and managing risk, and the Group's/Company's management of financial risks and capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The management has overall responsibility for the establishment and oversight of the Group/Company's risk management framework. To achieve risk management objectives, risk management is embedded in the Group/Company's operational and management structure. Risk management is a process for identification, assessment and management of business risks that may prevent or threaten the achievement of business goals.

The Group/Company's risk management policies are established to identify and analyse the risks faced by the Group/Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are updated on a regular basis to reflect changes in market conditions and activities of the Group/Company. Through training and management standards and procedures, the Group/Company seeks to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group/Company does not use derivatives to hedge financial risks and consequently does not use hedge accounting.

Credit risk

Credit risk is the risk of financial loss to the Group/Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group/Company's purchased financial instruments and receivables.

For the purposes of credit risk management, the Group/Company has procedures in place which stipulate that goods are sold and services are provided to customers with appropriate credit history. The Group/Company's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such goods or services. The most important factor is the customer's ability to make payments for goods and services in due time. The receivables disclosed in the statement of financial position are not secured except for finance lease receivables that are secured by mortgages and trade receivables that are secured by security deposits or bank guarantees (the standard security deposit is equal to the rent fee for two months).

The Group / Company does not have significant credit exposures in relation to a single counterparty or a group of counterparties with similar characteristics.

Regardless of the fact that the recoverability of finance lease and other receivables may be impacted by economic factors management believes that the Group/Company is not exposed to a significant risk of loss.

The Group experienced short-term difficulties in relation to the self-liquidation of ABLV Bank, AS and the resultant unavailability of current accounts. In March 2018, the Group opened new current accounts with other credit institutions and received the guaranteed amount of refund.

Liquidity risk

Liquidity risk is the risk that the Group / Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group/Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group/Company's reputation.

The Group / Company manages liquidity risk in line with the principle of prudence, ensuring that appropriate credit resources are available to cover liabilities in due time.

Interest rate risk

Interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises in connection with loans, borrowings and deposits.

Interest rate risk is impacted also by economic conditions and changes in average interest rates by banks. The Group/Company is exposed to cash flow risk caused by changes in interest rates as certain loans are carried at floating rates. The Group/ Company has purchased bonds, which are accounted for in the profit or loss statement according to their fair value. Since these financial instruments do not contain variable interest rates they are not exposed to a significant fair value risk that would materially impact the Group financial results. The Group/Company does not hold or use derivatives.

Capital management

The Group's / Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, which is evidenced by shareholder contributions. The Group / Company seek to maintain an optimum capital structure to reduce capital costs and keep third party funding to a minimum.

Currency risk

As the Group and the Company operate using EUR only currency risk is not considered to be applicable.

9. Changes in accounting policies

Other than the changes described below, the Group / Company have consistently applied the accounting policies set out in Notes 1 – 8 to all periods presented in these financial statements.

The Group / Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017.

The following guidance effective from 1 January 2017 did not have material impact on these financial statements:

- Amendments to IAS 7 *Cash Flow Statement* - Disclosure initiative - changes in liabilities arising from changes in the financing cash flows are reflected in Note 21 to the financial statements
- Amendments to IAS 12 *Income taxes* - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvements to IFRS

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. The following are the standards and interpretation which may be relevant to the Group/ Company. The Group/Company do not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2014) (effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Earlier application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that it is still permitted to apply hedge accounting according to IAS 39 and entities have an accounting policy choice between IFRS 9 and IAS 39.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, an entity may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on de-recognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that impairment allowances will need to be recognised before a loss event.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding risk management and hedging activities will be required.

It is expected that IFRS 9 will not significantly impact the Company's financial statements. Due to the nature of the Group's/ Company's operations and the types of financial instruments they hold, the classification and measurement of financial assets is not expected to change significantly under IFRS 9. The Group / the Company believes that impairment losses could increase as losses are expected to become more volatile for assets that qualify for the ECL model. The Company has not yet completed the development of impairment methodology in accordance with IFRS 9.

(ii) IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control over goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the financial statements of the Group/Company, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the entity's operations and since the majority of revenues are associated with rent income of financial income, which are regulated by other standards.

(ii) IFRS 16 Leases – (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained. It is expected that the new standard, when initially applied, will have not have a significant impact on the Group's/ Company's financial statements, since it will require the Group/ Company to recognise on their statement

of financial position assets and liabilities relating to operating leases for which the Company acts as a lessee. According to the estimates made by the Group's/Company's management IFRS 16 will impact lease assets on the balance sheet by approximately EUR 300 thousand and an adjustment to the profit of the previous reporting period of EUR 20 thousand would be required.

(iv) Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Earlier application is permitted.)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Group/ Company expects that the amendments, when initially applied, will not have a material impact on the financial statements as the Group/ Company does not enter into share-based payment transactions.

(v) Amendments to IFRS 1 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (effective for annual periods beginning on or after 1 January 2018; earlier application is permitted.) The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not)
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group / Company do not expect that the amendments, when initially applied, will have material impact on the financial statements, although the Company has an Associate.

(vi) Amendments to IAS 40 – *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.)

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 *Investment Property* to specify that such a transfer should only be made when there has been a change in the use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in the use. A change in management intention alone does not support a transfer. It is expected that the amendments, when initially applied, will not have a material impact on the Company's financial statements. The Company has investment properties but such properties could only be reclassified if their type of use is changed which implies that the impact of these standards is not expected to be material.

(vii) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018).

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group/ Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group/ Company uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Annual improvements to IFRSs 2015-2017 cycle were issued in December 2017 and introduced amendments to two International Financial Reporting Standards and amendments to two International Accounting Standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. Amendments to IFRS 3 *Business Combinations* and IFRS 11 *Income taxes IFRS Joint Arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing Costs* are effective in reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

These standards and interpretations are not expected to have a material impact on the Company's financial statements. The Company plans to adopt these standards and interpretations as they become effective.

(10) Revenue

	Group 01.01.2017 - 31.12.2017	Group 01.01.2016 - 31.12.2016	NHC 01.01.2017 - 31.12.2017	NHC 01.01.2016 - 31.12.2016
	EUR	EUR (*Adjusted)	EUR	EUR
Income from lease and management of premises	1 597 606	445 860	78 200	76 830
Other income	45 918	6 435	119 440	12 744
Total	1 643 524	452 295	197 640	89 574

*) Adjustment reflected in Note 27.

Revenue represents income generated during the reporting period from the Group's basic activities – lease and management of premises, net of value added tax and discounts.

(11) Operating expenses

	Group 01.01.2017 - 31.12.2017	Group 01.01.2016 - 31.12.2016	NHC 01.01.2017 - 31.12.2017	NHC 01.01.2016 - 31.12.2016
	EUR	EUR	EUR	EUR
Maintenance of buildings	278 387	10 223	3 096	-
Expenses on due diligence of transactions	176 256	73 645	92 909	40 741
Other operating expenses	95 649	29 117	8 045	3 635
Personnel expense*	136 270	-	136 270	-
Other expenses on acquisition of investment property	-	90 005	-	-
Total	686 562	202 990	240 320	44 376

*) During 2017 the Company hired 3 employees. Personnel expenses associated with these employees are recognized as operating expenses.

(12) Administrative expenses

	Group 01.01.2017 - 31.12.2017	Group 01.01.2016 - 31.12.2016	NHC 01.01.2017 - 31.12.2017	NHC 01.01.2016 - 31.12.2016
	EUR	EUR	EUR	EUR
Personnel expense*	268 834	171 718	268 834	171 718
Professional services	225 246	99 420	130 190	87 291
Other	32 147	51 121	25 763	36 906
Total	526 227	322 259	424 787	295 915

*) Personnel expenses recognized as administrative expenses are associated with CEO and dCEO compensation. During 2017 the average number of employees in the Company amounted to 4. Company subsidiaries do not employ any employees.

(13) Interest and similar expenses

	Group 01.01.2017 - 31.12.2017	Group 01.01.2016 - 31.12.2016	NHC 01.01.2017 - 31.12.2017	NHC 01.01.2016 - 31.12.2016
	EUR	EUR	EUR	EUR
Interest payments for the loan from a credit institution	163 289	37 756	7 115	5 226
Issued bond coupon payments	103 444	-	103 444	-
Interest expenses on loans from related parties	-	52 704	-	52 704
Total	266 733	90 460	110 559	57 930

(14) Investment property

Group	Investment property EUR
At 31 December 2015	748 000
Acquired	12 395 000
At 31 December 2016	13 143 000
Acquired	14 249 749
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	8 060 646
At 31 December 2017	35 453 395

NHC	Investment property EUR
At 31 December 2015	748 000
At 31 December 2016	748 000
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	-
At 31 December 2017	748 000

Unbreakable lease revenue of the Group:

31.12.2017

Period	Up to 1 year	1 to 5 years	5 years to maturity
Lease revenue EUR	1 675 066	2 931 268	1 780 335

31.12.2016

Period	Up to 1 year	1 to 5 years	5 years to maturity
Lease revenue EUR	666 894	2 030 541	2 203 702

Unbreakable operating lease revenue of NHC:

31.12.2017

Period	Up to 1 year	1 to 5 years	5 years to maturity
Lease revenue EUR	19 630	-	-

31.12.2016

Period	Up to 1 year	1 to 5 years	5 years to maturity
Lease revenue EUR	19 310	-	-

The fair value measurement for investment property at Elizabetes iela 21A of EUR 748 000 thousand is based on a valuation by an external appraiser and has been categorised as a Level 3 in the fair value hierarchy. The real estate property owned by the Company is 100% rented out.

The fair value of the administrative building at Tehnikas iela 3, Lidosta Rīga, owned by the Group company NHC 1, SIA is EUR 6 750 000. The real estate property owned by the NHC 1, SIA is 100% rented out.

The fair value of NHC 2, SIA owned office buildings in Riga, the territory of the former VEF is estimated to be EUR 10 142 000. The occupancy rate of the office building at Brīvības gatve 214M is 55%, that of the building at Brīvības gatve 214B is 78% and that of the building at Bērzaunes iela 1 is 79%.

The fair value of the office and warehouse complex Piepilsētas, Krustkalni, Ķekavas pagasts, Ķekavas novads owned by the Group company NHC 3, SIA is EUR 7 176 395. The real estate property owned by the NHC 3, SIA is 88% rented out.

The fair value of the warehouse complex owned by the Group company NHC 4, SIA located in Riga, Maskavas iela 462 and Maskavas iela 464A is EUR 10 637 000. The rent agreement between NHC 4, SIA with the tenant is effective from 1 January 2018. The tenant occupies 93% of the modern building lettable area, which amounts to a total of 27 874.9 m².

The fair value of the Group's investment property is measured in the fourth quarter of every year or more often if the Group becomes aware of material changes in the quality of long-term investments or a loss event. Fair values of investment properties may be determined also by reference to prior appraisals not older than 12 months from the valuation date. The fair value of the Group's investment property as categorised as Level 3 in the fair value hierarchy.

The table below describes the valuation method used by appraisers to arrive at the fair value of property, and the significant unobservable inputs:

Type	Valuation method	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Investment property of EUR 529 000 (2016: EUR 529 000) located in Riga, Elizabetes ielā 21A, No. 103, 154.9 m ²	2017 and 2016: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of services	Monthly rental income – 30 EUR/m ² (2016: 30 EUR/m ²) (based on the effective lease agreement) Annual growth in income - 0% (2016: 0%) (based on the effective lease agreement) Discount rate in the cash flow forecast period – 8.8% (2016: 8.8%) Cash flow forecast period – 5 years (2016: 5 gadi) Terminal growth rate – 1.3% (2016: 1.3%) Capitalization rate – 7.5 % (2016: 7.5%)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount rate / rate was lower (higher); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
	2017 and 2016: Market approach: The present value is calculated by reference to transactions with similar real estate properties	Comparable properties: Adjusted average sales price per 1 m ² of the total area, rounded, EUR 2 780.	The estimated fair value would increase (decrease), if: - Sales prices for similar properties on the market increased (decreased); - Technical condition of the property improved (deteriorated).

<p>Investment property of EUR 219 000 (2016: EUR 219 000) located in Riga, Elizabetes ielā 21A, No. 101 75.7 m²</p>	<p>2017 and 2016: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of services</p>	<p>Monthly rental income – 23.2 EUR/m² (2016: 23.2 EUR/m²) (based on the effective lease agreement) Annual growth in income - 0% (2016: 0%) (based on the effective lease agreement) Discount rate in the cash flow forecast period – 8.8% (2016: 8.8%) Cash flow forecast period – 5 years (2016: 5 gadi) Terminal growth rate – 1.3% (2016: 1.3%) Capitalization rate – 7.5 % (2016: 7.5%)</p>	<p>The estimated fair value would increase (decrease), if:</p> <ul style="list-style-type: none"> - The revenue growth rate was higher (lower); - The discount rate / rate was lower (higher); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
	<p>2017 and 2016: Market approach: The present value is calculated by reference to transactions with similar real estate properties</p>	<p>Comparable properties: Average adjusted sale price of 1 m² of the total area of the facilities rounded at EUR 2 809.</p>	<ul style="list-style-type: none"> - Sales prices for similar properties on the market increased (decreased); - Technical condition of the property improved (deteriorated).
		<p>The same weighting of 50% is applied to both approaches, the Discounted Cash Flow Approach and the Market Approach.</p>	
<p>Investment property of EUR 6 750 000 (2016: EUR 6 190 000) located in Riga International Airport, Tehnikas ielā 3, 6 556.4 m²</p>	<p>2017 and 2016: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of services</p>	<p>Monthly rental income – 6.56 EUR/ m² for office premises and 3.29 EUR/ m² for auxiliary premises (2016: 6.31 EUR/m² un 3.16 EUR/m²) (based on the effective lease agreement) Annual growth in income - 4% (2016: 4%) Discount rate – 7.50% (2016: 8.20%) Occupancy rate – 98% (2016: 98%) Cash flow forecast period – 9 years Capitalization rate – 7.50% (2016: 7.75%)</p>	<p>The estimated fair value would increase (decrease), if:</p> <ul style="list-style-type: none"> - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
<p>Investment property of EUR 10 142 000 located in Riga, Brīvības gatve 214M; Bērzaunes iela 1, Brīvības gatve 214B. 23 264 m²</p>	<p>2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of services</p>	<p>Condition before the reconstruction as at 2017: Rentable area – 17 043 m² Monthly rental fees – 4.95 EUR/ m² (based on effective lease agreements) Annual growth in income – 1% Discount rate – 9.25% Occupancy rate in the first period – 95%</p> <p>Condition after the reconstruction as at 2020: Rentable area – 23 264 m² Reconstruction estimated time – 3 years. Average reconstruction expenses – 304 EUR/m² Monthly rental fees – 5.24 EUR/ m² (based on effective lease agreements and assumed rent fees for vacant premises) Annual growth in income – 2% Discount rate – 9.25%</p>	<p>The estimated fair value would increase (decrease), if:</p> <ul style="list-style-type: none"> - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - The reconstruction costs were higher (lower); - The reconstruction period was shorter (longer).

		Occupancy rate in the fifth period – 85%	
		Cash flow forecast period – 5 years	
		Capitalization rate – 9.75%	
		Property value without reconstruction – EUR 9 172 000	
Investment property of EUR 7 176 395 (2016: EUR 6 205 000) located in Ķekavas nov., Krustkalni, Piepilsētas 14 153.50 m ²	2017 and 2016: Capitalisation model: The model is based on discounted cash flows from provision of services and discounted cash flows of the capitalisation	Monthly rental fees – 4.39 EUR/ m ² in warehouse premises and 5.40 EUR/m ² for adjacent office spaces (2016: 4.08 EUR/m ²) (based on effective lease agreements and assumed rent fees for vacant premises) Occupancy warehouse and office spaces - 98% (2016: 96%) Occupancy in vacant spaces – 60% Annual growth in income – 0% (2016: 0%) Capitalization rate – 9.0% (2016: 0%)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The capitalisation rate was lower (higher); - The occupancy assumption was higher (lower);
Investment property of EUR 10 637 000 located in Riga Maskavas iela 462, 464A, 27 874.9 m ²	2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of services	Monthly rental fees – 3.10 EUR/ m ² (based on effective lease agreements and assumed rent fees for vacant premises) Discount rate – 9.50% Occupancy – 97% Annual growth in income – 2.8% Cash flow forecast period – 5 years Capitalization rate – 8.50%	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - Sales price of the land plot of approximately 7.5ha containing buildings to be demolished would be higher (lower).
		As part of the DCF approach, 7.5 ha sale of land containing outdated buildings planned for demolition was assumed. Sales price was based on the market approach, where the present value is calculated by reference to transactions with similar real estate properties. Assumed price for square meter – 15.9 EUR/m ² .	

(15) Corporate income tax

(i) Corporate income tax recognised in the profit or loss statement

	Group 01.01.2017 31.12.2017 EUR	Group 01.01.2016 31.12.2016 EUR (*adjusted)	NHC 01.01.2017 31.12.2017 EUR	NHC 01.01.2016 31.12.2016 EUR
Current tax according to the declaration	(71 107)	-	-	-
Deferred tax	(107 247)	59 842	(11 020)	22 432
Corporate income tax recognised in the profit and loss statement	(178 354)	59 842	(11 020)	22 432

(ii) Reconciliation of effective income tax rate

	Group 01.01.2017 31.12.2017 EUR	Group 01.01.2016 31.12.2016 EUR (*adjusted)	NHC 01.01.2017 31.12.2017 EUR	NHC 01.01.2016 31.12.2016 EUR
Profit before corporate income tax	8 115 882	(156 643)	(337 085)	(150 596)
Theoretically calculated corporate income tax, 15%	1 217 382	(23 497)	(50 563)	(22 589)
Deferred tax write off	(1 417 570)	(58 817)	50 442	-
Effect of permanent differences	21 834	22 472	(10 899)	157
Corporate income tax for the reporting period	(178 354)	(59 842)	(11 020)	(22 432)

The Group/NHC has not recognised deferred tax as at 31 December 2017 due to changes in legislation. If deferred tax of the Group was recognised as at 31 December 2017, revaluation of investment property would materially impact it.

*) Adjustments related to NHC 1, SIA revenue recognition, see Note 27.

(16) Investments in subsidiaries

	EUR
Balance as at 31.12.2016	2 616 362
Contributions to other share capitals	3 080 000
Balance as at 31.12.2017	5 696 362

In the reporting period additional investments were made in the share capital of NHC 2, SIA and NHC 4, SIA, amounting to an increase of NHC 2, SIA and NHC 4, SIA share capital 1 990 000 EUR and 1 090 000 EUR, respectively.

Name of the company	Number of shares at 31.12.2017	Carrying amount of the investment at 31.12.2017	Equity value of the subsidiary as at 31.12.2017	Profit/loss of the related company in the reporting period
	%	EUR	EUR	EUR
NHC 1, SIA	100	1 276 362	2 217 878	789 630
NHC 2, SIA	100	2 000 000	3 509 609	1 523 125
NHC 3, SIA	100	1 300 000	2 394 627	1 199 678
NHC 4, SIA	100	1 100 000	5 897 600	4 798 252
NHC 5, SIA	100	10 000	(17 191)	(26 539)
NHC 6, SIA	100	10 000	4 042	(5 306)
Total		5 696 362	14 006 565	8 278 840

Name of the Company	Number of shares held as at 31.12.2016 %	Carrying amount of the investment at 31.12.2016 EUR	Equity of the subsidiary as at 31.12.2016 EUR	Profit/loss of the related company in the reporting period EUR
NHC 1, SIA	100	1 276 362	1 428 247	151 885
NHC 2, SIA	100	10 000	(3 515)	(13 515)
NHC 3, SIA	100	1 300 000	1 194 949	(105 051)
NHC 4, SIA	100	10 000	9 348	(652)
NHC 5, SIA	100	10 000	9 348	(652)
NHC 6, SIA	100	10 000	9 348	(652)
Total		2 616 362	2 647 725	31 363

(17) Investment in associated companies

	Number of shares at 31.12.2017 %	Carrying amount of the investment at 31.12.2017 EUR	Equity of the associated company as at 31.12.2017 EUR	Per cent of equity as at 31.12.2017 EUR	Profit/loss of the associated company in the reporting period EUR
SG Capital Partners AIFP, SIA	30	7 500	47 642	14 293	29 072
Total		7 500	47 642	14 293	29 072

(18) Loans to related parties

	Group 31.12.2017 EUR	Group 31.12.2016 EUR	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Long term				
Loans to subsidiaries	-	-	7 734 000	587 000
NHC 1, SIA	-	-	387 000	577 000
NHC 2, SIA	-	-	6 445 000	10 000
NHC 3, SIA	-	-	902 000	-
Short term				
Loans to subsidiaries	-	-	4 774 000	5 061 000
NHC 3, SIA	-	-	-	5 061 000
NHC 4, SIA	-	-	4 744 000	-
NHC 5, SIA	-	-	30 000	-
Total	-	-	12 508 000	5 648 000

Loans to related companies include loans to subsidiaries disclosed as credit lines. The annual interest rate for all loans is 4.5%. The loans are not secured. As at 31 December 2017, there are no overdue payments on issued loans.

(19) Financial instruments held at fair value with recognition in the Profit or Loss Statement - carrying amount

	Group 31.12.2017 EUR	Group 31.12.2016 EUR	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Financial instruments held at fair value with recognition in the Profit or Loss Statement:				
Short term part	12 183 736	-	12 183 736	-
Long term part	-	-	-	-
Total	12 183 736	-	12 183 736	-

As at 31 December 2017, all financial instruments held at fair value with recognition in the Profit or Loss Statement of the Group/Company were long term bonds of ABLV Bank, maturing on 22 February 2018. Bonds were acquired in order to place a part of liquidity reserves in short term and high yield financial instruments. Subsequent events are described in more detail in Note 28. All financial instruments held at fair value with recognition in the Profit or Loss Statement are denominated in EUR. The maximum credit risk position at the reporting date is the carrying amount of the financial instruments held at fair value with recognition in the Profit or Loss Statement.

(20) Cash	Group		Group		NHC		NHC	
	31.12.2017		31.12.2016		31.12.2017		31.12.2016	
	EUR		EUR		EUR		EUR	
Balances on bank accounts: ABLV Bank, AS	4 160 289	6 544 927	4 032 651	6 503 861				
Balances on bank accounts: Swedbank, AS	58 887	-	-	-				
Balances on bank accounts: Other	3	-	-	-				
Total	4 219 179	6 544 927	4 032 651	6 503 861				

The Board believes that that the funds in ABLV Bank, AS accounts are fully recoverable. At the time of report preparation the Group / Company is opening current accounts in other Latvian banks and funds in the amount of EUR 285 564 for the Group and in the amount of EUR 100 000 for the Company are being recovered from the State Guarantee Fund. More information about events after the balance sheet date can be found in Note 28.

(21) Share capital	Group		Group		NHC		NHC	
	31.12.2017		31.12.2016		31.12.2017		31.12.2016	
	%	EUR	%	EUR	%	EUR	%	EUR
ABLV Bank, AS	88	22 000 000	88	13 200 000	88	22 000 000	88	13 200 000
PREMIUM FINANCE GROUP, SIA	6	1 500 000	8	1 200 000	6	1 500 000	8	1 200 000
Cassandra Holding Company, SIA	6	1 500 000	4	600 000	6	1 500 000	4	600 000
Total		25 000 000		15 000 000		25 000 000		15 000 000

As at 31 December 2016 share capital amounted to EUR 15 000 000 and consisted of 15 000 000 shares with nominal value of EUR 1. All shares are fully paid.

On 12 April 2017, the share capital was increased by EUR 3 000 000 representing 3 000 000 shares.

On 5 June 2017, the share capital was increased by EUR 7 000 000 representing 7 500 000 shares.

As at 31 December 2017 the share capital amounts to EUR 25 000 000 representing 25 000 000 shares with nominal value of EUR 1. All shares are fully paid.

(22) Loans and bonds

For the convenience of financial statement readers external borrowings and issued debt securities (bonds) are described in detail:

	Group 31.12.2017 EUR	Group 31.12.2016 EUR	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Long term loans from credit institutions	8 046 159	4 627 465	435 238	457 160
Issued debt securities (bonds)	9 414 004	-	9 414 004	-
Total long term loans	17 460 163	4 627 465	9 849 242	457 160
Short-term portion of long-term loans from credit institutions*	381 501	116 362	21 914	21 865
Short term part of issued debt securities (bonds)	585 996	-	585 996	-
Accrued interest on long term loans	11 522	-	324	-
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	103 444	-	103 444	-
Total short-term-loans	1 082 463	116 362	711 678	21 865
Total long and short term loans	18 542 626	4 743 827	10 560 920	479 025
Changes in loans	31.12.2017	31.12.2016	31.12.2017	31.12.2016
At the beginning of the reporting period	4 743 827	-	479 025	-
Loans received	4 000 000	4 796 264	-	493 000
Loans repaid	316 167	52 437	21 592	14 256
Changes in accrued loan and coupon interest liabilities	114 966	3 264 *	103 487	281*
Issued debt securities (bonds)	10 000 000	-	10 000 000	-
At the end of the reporting period	18 542 626	4 743 827	10 560 920	479 025
Loans by category of lender	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Credit institutions - related loans	4 631 329	4 743 827	457 476	479 025
Other credit institutions	3 807 853	-	-	-
Issued debt securities (bonds)	10 103 444	-	10 103 444	-
Total loans	18 542 626	4 743 827	10 560 920	479 025
Loans by maturity	31.12.2017	31.12.2016	31.12.2017	31.12.2016
< 1 year (short term part of long term loans)	1 082 463	116 362	711 678	21 865
1 – 5 years	17 460 163	4 627 465	9 849 242	457 160
> 5 years	-	-	-	-
Total loans	18 542 626	4 743 827	10 560 920	479 025

*) As at 31 December 2017, accrued interest payments on short term loans were added to the short term principal of the loans. For comparability purposes, this principle was also applied to loans as at 31 December 2016. Changes are described in detail in Note 27. On 18 April 2016, the loan was received by the Company from ABLV Bank, AS to invest in share capitals of the subsidiaries of New Hanza Capital, AS. The loan is secured with a collateral – real estate at Elizabetes iela 21A – premises No 101 and 103, Riga, and with a financial pledge of all financial assets held on accounts of New Hanza Capital, AS with ABLV Bank, AS.

On 2 August 2016, NHC 1, SIA obtained loans from ABLV Bank, AS to partly refinance the loan issued by New Hanza Capital, AS to acquire real estate property. The loan is secured with a collateral – real estate at Tehnikas iela 3, Lidosta "Rīga", Mārupes novads, and with a financial pledge of all financial assets held on accounts of NHC 1, SIA with ABLV Bank, AS.

On 3 March 2017, NHC 3, SIA obtained a loan from Swedbank, AS to partly refinance the loan issued by New Hanza Capital, AS to acquire real estate property. The loan is secured by a mortgage of the office and warehouse complex located in *Piepilsētas, Krustkalni, Ķekavas pagasts, Ķekavas novads*.

It is specified in loan agreements that the interest coverage ratio and the LTV ratio should be calculated on a quarterly basis. The Group companies comply with the thresholds set for these ratios and the loan covenants.

As the property portfolio developed and the volume of transactions grew, in 2017 the company launched a bond issue programme aimed at attracting new investors and additional capital to implement its operational plans. The bond were placed on the regulated market, the Baltic list of debt securities of Nasdaq Riga. The bonds were issued in EUR and the total nominal value of the issue was EUR 10 000 000 and the nominal value of a bond is EUR 1 000. The annual interest rate is fixed at 4.9% and coupon payments are made twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The issuer may exercise the call option prematurely. On 19 October 2017, the bonds were admitted to regulated market — included in the Baltic Bond List of Nasdaq Riga (ISIN LV0000802312).

(23) Other liabilities

	Group 31.12.2017 EUR	Group 31.12.2016 EUR	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Long term				
Security deposits received from tenants	86 854	83 513	-	-
Short term				
Security deposits received from tenants	224 657	38 722	14 200	14 200
Total	311 511	122 235	14 200	14 200

*) According to lease agreements, tenants have the right to early agreement termination under terms defined in lease agreements. An exception is the NHC 1, SIA rent agreement with Air Baltic Corporation, AS.

In 2016 financial statements the Group disclosed security deposits received from tenants in the amount of EUR 122 235 in the long term part of other creditors. In 2017 the Group reclassified a part of this position in the amount of EUR 38 722 to other creditor short term part. Air Baltic Corporation, AS security deposit in the amount of EUR 85 513 has not been reclassified.

In 2016 financial statements the Company disclosed security deposits received from tenants in the amount of EUR 14 200 in the long term part of other creditors. In 2017 the Company reclassified this position on the amount of EUR 14 200 to other creditor short term part. These changes are described in more detail in Note 27.

(24) Fair value of financial instruments and financial risks

(a) Fair value

The table represents the carrying amounts and fair values of financial assets and financial liabilities with the relevant level of fair value hierarchy. Financial assets and financial liabilities presented in the table below are not measured at fair value for accounting purposes, excluding financial instruments held at fair value with recognition in the Profit or Loss Statement.

As at 31 December 2017	Fair value level	Carrying amount EUR	Group Fair value EUR	Carrying amount EUR	NHC Fair value EUR
Assets					
Loans to related companies (long-term)	3	-	-	7 734 000	7 734 000
Loans to related companies (short-term)	3	-	-	4 774 000	4 774 000
Total			-	-	12 508 000

Financial instruments held at fair value for accounting purposes:

	Fair value level	Carrying amount	Group Fair value	Carrying amount	NHC Fair value
Financial instruments at fair value through profit or loss	2	12 183 736	12 183 736	12 183 736	12 183 736
Total		12 183 736	12 183 736	12 183 736	12 183 736

	Fair value level	Carrying amount EUR	Fair value EUR	Carrying amount EUR	Fair value EUR
Liabilities					
Issued debt securities, bonds (long term)	3	9 414 004	9 414 004	9 414 004	9 414 004
Issued debt securities, bonds (short term)	3	689 440	689 440	689 440	689 440
Loans from credit institutions (long term)	3	8 046 159	8 065 825	435 238	435 238
Loans from credit institutions (short term)	3	393 023	393 023	22 238	22 238
Other liabilities (long term)	3	86 854	86 854	-	-
Other liabilities (short term)	3	224 657	224 657	14 200	14 200
Total		18 854 137	18 882 272	10 575 120	10 575 120

As at 31 December 2016

	Fair value level	Carrying amount EUR	Group Fair value EUR	Carrying amount EUR	NHC Fair value EUR
Assets					
Loans to related companies (long-term)	3	-	-	587 000	587 000
Loans to related companies (short-term)	3	-	-	5 061 000	5 061 000
Finance lease (long term)	3	17 347	17 236	17 347	17 347
Finance lease (short term)	3	8 358	8 743	8 358	8 358
Total		25 705	25 979	5 673 705	5 673 705

	Fair value level	Carrying amount EUR	Fair value EUR	Carrying amount EUR	Fair value EUR
Liabilities					
Loans from credit institutions (long term)	3	4 627 465	4 627 465	457 160	457 160
Loans from credit institutions (short term)	3	113 098	113 098	21 584	21 584
Other liabilities (long term)	3	83 513	83 513	-	-
Other liabilities (short term)	3	38 722	38 722	14 200	14 200
Total		4 862 798	4 862 798	492 944	492 944

The table below describes the valuation method used to arrive at the Level 3 fair value, and the significant unobservable inputs:

Type	Valuation method	Significant unobservable inputs
Loans to related companies (long-term), Loans to related companies (short-term)	-	2017: The Company has issued five loans to subsidiaries by way of credit lines. The loans carry a fixed annual interest rate of 4.5% applicable to the utilized part of the loan. Interest on the utilized part of the loans is paid for the previous quarter by day 15 of the first month of the following quarter. Loan agreements are initially signed for one year and they can be extended. The Board believes that the interest rate of 4.5% used for revenue recognition reflects the fair value and therefore the difference between the carrying amount and the fair value is considered to be immaterial.
Bonds (issued)	Discounted cash flow method	2017: The Company issued bonds with a nominal value of EUR 10 000 000. The annual interest rate of the bonds is fixed: 4.9% with coupon payment twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The Board believes that the interest rate of 4.9% used for revenue recognition reflects the fair value and therefore the difference between the carrying amount and the fair value is considered to be immaterial.
Loans from credit institutions (long term) Loans from credit institutions (short term)	-	2017: The Group obtained three loans from ABLV Bank, AS. The loans mature in 2021. The loans carry a base interest rate of 6 month EURIBOR and an added rate of 1.5% per year. The loans are secured with mortgages. In fair value calculation an added interest rate of 2.5% was used. This rate is based on the added rate in Group loans from unrelated parties. The Group has also obtained a loan from Swedbank, AS. The loan matures in 2020. The loan carries a base interest rate of 3 month EURIBOR and an added rate of 2.5% per year. The loan is secured with a mortgage. The Board believes that the annual interest rate of 2.5% used for revenue recognition reflects the fair value of the loan and therefore the difference between the carrying amount and the fair value is considered to be immaterial.
Other liabilities	-	As at 31 December 2017 As at Company does not have long-term liabilities, therefore it is considered that the carrying amount does not differ significantly from the fair value.
Receivables, payables	-	As at 31 December 2017 The Company does not have long term accounts receivable. Therefore it is considered that the carrying amount does not differ significantly from the fair value.

The table below describes the valuation method used to arrive at the Level 2 fair value:

Type	Valuation method	Significant unobservable inputs
Bonds (purchased)	Market participant quote	-

(b) Credit risk

The maximum credit risk connected with financial assets is reflected in their carrying amounts. Financial assets exposed to credit risk by balance sheet item at reporting dates are as follows:

	Group 31.12.2017	Group 31.12.2016	NHC 31.12.2017	NHC 31.12.2016
	EUR	EUR	EUR	EUR
Due from related parties	128	-	158 867	760
Trade receivables	144 517	95 195	6	-
Loans to related parties	-	-	12 508 000	5 061 000
Financial instruments at fair value through profit or loss	12 183 736	-	12 183 736	-
Loans		25 705	-	25 705
Total	12 328 381	120 900	24 850 609	5 087 465

As at 31 December 2017 and 31 December 2016, payments for the above financial assets are not overdue and no impairment allowances are recognised. All receivables and payables are secured with either a guarantee deposit or bank guarantees. The Group / Company has not issued financial guarantees.

(c) Liquidity risk

The remaining maturities according to financial liability agreements at the reporting date are as follows:

Non-derivative financial liabilities of the Group as at 31 December 2017	Carrying amount	Contractual cash flows	< 3 months	3 - 12 months	1 – 5 years	Non-fixed term
	EUR	EUR	EUR	EUR	EUR	EUR
Issued debt securities, bonds	10 103 444	12 450 000	-	490 000	11 960 000	-
Loans from credit institutions	8 427 660	139 353	417 616	8 347 482	-	-
Other liabilities	311 511	-	-	-	311 511	311 511
Trade accounts payable	58 610	58 610	-	-	-	-
Due to related parties	228 948	228 948	-	-	-	-
Total	19 130 173	21 953 520	384 353	766 060	20 204 038	0
Non-derivative financial liabilities of NHC as at 31 December 2017	Carrying amount	Contractual cash flows	< 3 months	3 - 12 months	1 – 5 years	Non-fixed term
	EUR	EUR	EUR	EUR	EUR	EUR
Issued debt securities, bonds	10 103 444	12 450 000	245 000	348 444	11 856 556	-
Loans from credit institutions	457 152	477 555	7 207	21 620	448 728	-
Other liabilities	14 200	14 200	-	-	-	14 200
Trade accounts payable	23	23	23	-	-	-
Due to related parties	87 800	87 800	87 800	-	-	-
Total	10 662 619	12 941 755	252 207	370 064	12 305 284	0
Non-derivative financial liabilities of the Group as at 31 December 2016	Carrying amount	Contractual cash flows	< 3 months	3 - 12 months	1 – 5 years	Non-fixed term
	EUR	EUR	EUR	EUR	EUR	EUR
Loans from credit institutions	4 740 563	5 107 330	45 117	148 126	4 914 087	-
Other liabilities	122 235	122 235	-	-	-	122 235
Amounts due to suppliers	25 481	25 481	25 481	-	-	-
Total	4 888 279	5 255 046	70 598	148 126	4 914 087	122 235

Non-derivative financial liabilities of NHC as at 31 December 2016	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 – 5 years EUR	Non-fixed term EUR
Loans from credit institutions	478 744	506 319	7 179	21 536	477 604	-
Other liabilities	14 200	14 200	-	-	-	14 200
Trade accounts payable	2 844	2 844	2 844	-	-	-
Due to related parties	1 007	1 007	1 007	-	-	-
Total	496 795	524 370	11 030	21 536	477 604	14 200

(d) Interest rate risk

As at the reporting date, the Group / Company has loans from ABLV Bank, AS and Swedbank, AS. Loan agreement base rates are EURIBOR 6M or EURIBOR 3M. On 9 February 2018, the date of recalculation the loan schedule, the 6m EURIBOR is negative 0.278%, the 3m EURIBOR is negative 0.329%. An analysis of the impact on the interest expenses presented in profit or loss resulting from a potential increase by 50 base points shows that the aggregate interest rate would exceed the added rate defined in loan agreements by a maximum of 0.222% in case of loan agreements with EURIBOR 6M or a maximum of 0.171% in case of loan agreements with EURIBOR 3M. This is not considered to be a material change on the Group level.

(25) Operating Segments

The operating activities of the Group are analysed by the Board of the Company on the level of individual group companies. The operating income represents revenue generated from lease of premises.

The subsidiaries do not employ any staff and professional services are outsourced. The Company has agreements in place with its subsidiaries concerning management services. These management services include strategic management, day-to-day management and supervision of investments. Compensation for the management services is set on an arm's length basis.

Assets	31.12.2017 EUR	31.12.2016 EUR
NHC	35 454 711	15 580 037
NHC1	6 950 207	6 383 770
NHC2	10 334 866	7 953
NHC3	7 297 145	6 295 008
NHC4	10 659 790	10 070
Other	33 239	20 140
Eliminated intra-group transactions	(18 367 124)	(8 272 158)
Total	52 362 834	19 976 142

Liabilities	31.12.2017 EUR	31.12.2016 EUR
NHC	10 817 466	594 687
NHC1	4 732 329	4 955 523
NHC2	6 825 257	11 468
NHC3	4 902 518	5 100 059
NHC4	4 762 190	722
Other	39 595	1 444
Eliminated intra-group transactions	(12 670 762)	(5 655 796)
Total	19 408 593	5 008 107

Profit or Loss Statement for the period from 01.01.2017- 31.12.2017	NHC	NHC1	NHC2	NHC3	NHC4	Other	Eliminated upon consolidation	Total
Net sales (external)	113 489	498 347	362 049	661 327	-	8 312	-	1 643 524
Net sales (internal)	84 151	-	-	-	-	-	(84 151)	-
Operating expenses	(240 320)	(10 909)	(209 908)	(154 166)	(66 015)	(5 244)	-	(686 562)
Gross profit	(42 680)	487 438	152 141	507 161	(66 015)	3 068	(84 151)	956 962
Selling expenses	-	-	-	-	-	-	-	-
Administrative expenses	(424 787)	(52 362)	(49 655)	(57 346)	(14 220)	(12 008)	84 151	(526 227)
Other operating expenses	(73 070)	(4 914)	(8 828)	(8 249)	-	(15 000)	-	(110 061)
Other interest and similar income	314 011	-	-	-	-	-	(312 716)	1 295
Interest and similar expenses	(110 559)	(98 279)	(100 782)	(159 048)	(109 898)	(883)	312 716	(266 733)
Investment property revaluation	-	560 000	1 545 337	966 809	4 988 500	-	-	8 060 646
Profit/(loss) before taxes	(337 085)	891 883	1 538 213	1 249 327	4 798 367	(24 823)	-	8 115 882
CIT	-	(14 115)	(12 702)	(44 290)	-	-	-	(71 107)
Deferred CIT	(11 020)	(88 138)	(2 386)	(5 359)	(115)	(229)	-	(107 247)
(Loss) / profit of the reporting period	(348 105)	789 630	1 523 125	1 199 678	4 798 252	(25 052)	-	7 937 528

Profit or Loss Statement for the period from 01.01.2016--31.12.2016	NHC	NHC1	NHC2	NHC3	NHC4	Other	Eliminated upon consolidation	Total
Net sales (external)	76 831	332 232	-	43 232	-	-	-	572 256
Net sales (internal)	12 743	-	-	-	-	-	(12 743)	-
Operating expenses	(44 376)	(64 157)	(8 578)	(85 879)	-	-	-	(322 951)
Gross profit	45 198	268 075	(8 578)	(42 647)	-	-	(12 743)	249 305
Sales expenses	(11 445)	-	-	-	-	-	-	(11 445)
Administrative expenses	(295 915)	(16 804)	(7 111)	(12 871)	(767)	(1 534)	12 743	(322 259)
Other operating income	55 000	-	-	20 093	-	-	-	75 093
Other operating expenses	(55 501)	(2 232)	-	-	-	-	-	(57 733)
Other interest and similar income	169 997	-	-	-	-	-	(169 141)	856
Interest and similar expenses	(57 930)	(126 475)	(211)	(74 985)	-	-	169 141	(90 460)
Profit/(loss) before taxes	(150 596)	122 564	(15 900)	(110 410)	(767)	(1 534)	-	(156 643)
Deferred CIT	22 432	88 138	2 385	5 359	115	230	(58 817)	59 842
(Loss) / profit of the reporting period	(128 164)	210 702	(13 515)	(105 051)	(652)	(1 304)	(58 817)	(96 801)

Revenues from one Group client amounted to EUR 498 thousand (2016: EUR 332 thousand), which is approximately 30% (2016: 58%) of the Group total income.

(26) Transactions with related parties

a) Transactions with members of the Board and management

In the reporting period, members of the Board did not receive remuneration for their work on the Board and no transactions were carried out with members of the Board and management. The members of the Board hold paid positions of Executive Director and Deputy Executive Director. Members of the boards of subsidiaries did not receive remuneration for their work on the boards.

b) Other related party transactions

The statement of profit and loss and other comprehensive income and the statement of financial position as at 31 December 2017 and 31 December 2016 discloses transactions and balances with related parties. Transactions between the Group/Company and its related parties are carried out on an arm's length basis and are properly reflected in the Group/Company's transfer pricing methodology. Transactions and amounts are the following:

Group related party	Description of transaction	2017	2016	
ABLV Bank, AS	Receivables from financial institutions	4 219 179	6 544 927	
	Loan	4 627 460	4 740 563	
	Debt instruments	12 153 424	-	
	Prepaid expenses	64 722	2 714	
	Accrued interest on securities	30 312	-	
	Due to related parties	-	29	
	Accrued liabilities	19 025	25 916	
	Services received	63 120	38 860	
	Interest expenses	80 789	37 756	
	Interest income	4 499	-	
	Expenses on financial assets	36 537	-	
	Parties related to shareholders	Acquisition of a subsidiary	-	229 686
		Due from related parties	127	-
Due to related parties		228 948	-	
Accrued liabilities		-	11 910	
Services received		262 916	52 812	
	Interest expenses	-	52 704	
NHC related party				
ABLV Bank, AS	Description of transaction	2017	2016	
ABLV Bank, AS	Receivables from financial institutions	4 032 651	6 503 861	
	Loan	457 152	478 744	
	Debt instruments	12 153 424	-	
	Prepaid expenses	47 500	2 714	
	Due to related parties	-	29	
	Accrued liabilities	15 480	22 293	
	Services received	40 242	30 945	
	Interest expenses	6 836	5 226	
	Interest income	4 499	-	
	Expenses on finance assets	36 537	-	
	Parties related to shareholders	Acquisition of a subsidiary	-	229 686
		Due from related parties	127	-
		Due to related parties	83 777	978
Accrued liabilities		-	7 038	
Services received		94 488	52 704	
	Interest expenses	-	35 338	
Related party transactions in NHC group	Loan	12 508 000	5 648 000	
	Due from related parties	158 739	760	
	Due to related parties	4 023	-	
	Accrued income	-	7 036	
	Contributions to other share capitals	5 696 362	2 616 362	
	Interest income	312 716	169 141	
	Services received	-	12 743	
	Services provided	84 151	-	

(27) Previous period adjustments

During the preparation of financial reports for the period 01.01.2017 – 31.12.2017 a mistake in the recognition of NHC1, SIA revenue had been identified. In 2016 revenue was recognised based on issued invoices. According to IFRS, for unbreakable rent agreements revenue has to be recognized linearly for the whole rent period. Rent agreement between NHC1, SIA and one of its tenants is unbreakable for the period of 10 years; the rent agreement also specifies annual rent indexation. Therefore, NHC1, SIA has the right to receive a larger rent fee every next year for the area let out. For the purpose of revenue recognition, NHC1, SIA rent income has been recalculated for the period of all agreements in order to linearly recognize income on a monthly basis. The aforementioned mistake impacts revenue recognized in 2016, undistributed profits and deferred income tax (notes a, b, c, d, e).

Additionally, interest accrued in December 2016 in accordance with the ABLV Bank, AS loan has been reclassified from accrued expenses to loans from credit institutions (notes f, g). The aforementioned adjustment impacts accrued liabilities and the short term part of loans from credit institutions. Adjustment impact is disclosed in detail in this Note.

	Notes	Group 01.01.2016 - 31.12.2016 EUR (*adjusted)	Group 01.01.2016 - 31.12.2016 EUR (*adjustment)	Group 01.01.2016 - 31.12.2016 EUR (*previously reported)
Income	a	452 295	57 268	395 027
Operating expenses		(202 990)	-	(202 990)
Gross profit		249 305	57 268	192 037
Selling expenses		(11 445)	-	(11 445)
Administrative expenses		(322 259)	-	(322 259)
Other operating income		75 093	-	75 093
Other operating expenses		(57 733)	-	(57 733)
Other interest and similar income		856	-	856
Interest and similar expenses		(90 460)	-	(90 460)
(Loss)/ profit before taxes		(156 643)	57 268	(213 911)
Deferred tax	b	59 842	(8 590)	68 432
(Loss) / profit of the reporting period		(96 801)	48 678	(145 479)
Total amount of comprehensive income		(96 801)	48 678	(145 479)

	Notes	Group 01.01.2016 - 31.12.2016 EUR (*adjusted)	Group 01.01.2016 - 31.12.2016 EUR (*adjustment)	Group 01.01.2016 - 31.12.2016 EUR (*previously reported)
Assets				
Non-current assets				
Investment property		13 143 000	-	13 143 000
Finance lease receivables		17 347	-	17 347
Deferred tax asstes	c	107 247	(8 590)	115 837
Total non-current assets		13 267 594	(8 590)	13 276 184
Current assets				
Trade receivables		95 195	-	95 195
Finance lease receivables		8 358	-	8 358
Other asstes	d	108 746	57 268	51 478
Cash		6 544 927	-	6 544 927
Total current assets		6 757 226		6 699 958
Total assets		20 024 820	48 678	19 976 142
Liabilities				
Equity				
Share capital		15 000 000	-	15 000 000
Reserves:				
Retained earnings/ accumulated (loss) of previous periods	e	113 514	-	113 514
Profit / (loss) of the reporting period		(96 801)	48 678	(145 479)
Total equity		15 016 713	48 678	14 968 035
Long-term liabilities				
Loans		4 627 465	-	4 627 465
Other creditors		83 513	(38 722)	122 235
Total long-term liabilities		4 710 978	(38 722)	4 749 700
Short-term liabilities				
Loans	f	116 362	3 264	113 098
Amounts due to suppliers		25 481	-	25 481
Other taxes		5 433	-	5 433
Other liabilities		38 722	38 722	-
Accrued liabilities	g	111 131	(3 264)	114 395
Total short-term liabilities		297 129	38 722	258 407
Total equity and liabilities		20 024 820	48 678	19 976 142

Pielikumi	Group 01.01.2016 - 31.12.2016 EUR (*adjusted)	Group 01.01.2016 - 31.12.2016 EUR (*adjustment)	Group 01.01.2016 - 31.12.2016 EUR (*previously reported)
Cash flows from operating activities			
(Loss) / profit of the reporting period before tax	(156 643)	57 268	(213 911)
Adjustments for:			
Interest income	(856)	-	(856)
Interest expense	90 460	-	90 460
Profit before changes in working capital	(67 039)	57 268	(124 307)
Change from finance lease repayment	8 153	-	8 153
Interest received	856	-	856
(Increase)/ decrease in trade receivables	116 112	57 268	173 380
Increase/ (decrease) in payables	68 835	-	68 835
Interest expenses	(86 498)	-	(86 498)
Cash flows from/ (used in) operating activities	40 419	57 268	40 419
Cash flows from investing activities			
Acquisition of investment property	(12 395 000)	-	(12 395 000)
Acquisition of shares in related companies/ net cash paid	(57 928)	-	(57 928)
Net cash flows generated from/ (used in) investing activities	(12 452 928)	-	(12 452 928)
Cash flows from financing activities			
Income from equity investments	13 500 000	-	13 500 000
Loans received	10 910 000	-	10 910 000
Repayment of shareholder loans	(6 169 437)	-	(6 169 437)
Net cash flows from financing activities	18 240 563	-	18 240 563
Increase/(decrease) in net cash during the reporting period	5 828 054	-	5 828 054
Cash at the beginning of the reporting period	716 873	-	716 873
Cash at the end of the reporting period	6 544 927	-	6 544 927

(28) Subsequent Events

On 13 February 2018, as suggested by the largest shareholder of the Company ABLV Bank, AS, the Extraordinary Shareholders Meeting released the current members from their duties of the Council and elected a new Council. Articles of Association were amended respectively, with the new version stating that the Council will henceforth consist of four members, of which one is Chairman and one is Deputy Chairman.

For the period from 13 February 2018 to 12 February 2023 the following persons were elected to the Council: Ernests Bernis, Māris Kanneieks, Edgars Miļūns and Edgars Pavlovičs.

On 14 February 2018, the new Council decided to appoint Ernests Bernis as Chairman and Edgars Miļūns as Deputy Chairman.

On 20 February 2018, Group company NHC 4, SIA obtained a loan of EUR 3 million from AS SEB banka. The loan matures on 7 February 2023.

On 22 February 2018, the Company received a payment of EUR 12.22 million from ABLV Bank, AS bond redemption and final bond coupon payment. The funds were used to cover the Company's liabilities of EUR 453.5 thousand arising from loan agreement No. 16-FP-0440. Additionally, a deposit was placed with ABLV Bank, AS in the amount of EUR 6 million. This deposit has been cancelled on March 28, 2018.

On 28 February 2018 the Company signed an agreement on the sale of the shares of associated company SG Capital Partners AIFP, SIA. The shares were sold to Pēteris Grieze, Harijs Švarcs and Rihards Šafranovičs. The transaction value is EUR 15 000.

On 28 February 2018 Andris Kovaļčuks handed in a resignation notice from the position of Chairman of the Board and CEO of the Company and its subsidiaries effective from 28 February 2018. Deputy CEO, Arnolds Romeiko continues working on the Company Board. In the period from 7 March 2018 to 19 March 2018 Aija Hermane-Sabule served as the Company Chairman of the Board. Starting from 20 March 2018 Edgars Miļūns serves as the Company Chairman of the Board. Aija Hermane-Sabule and Arnolds Romeiko continue to serve on the Company Board as Board Members.

On 19 March 2018 the Extraordinary Shareholders Meeting of New Hanza Capital, AS Company shareholders made the decision to amend the Company Articles of Association to state that the Shareholders Meeting requires a 100% Company share capital representation for the following decisions: amendments to the Articles of Association, Council Member appointment and dismissal, increases or decreases of Company share capital, winding up, continuing, suspending or recommencing the Company's operations, Company liquidation and reorganization. Decisions can be made if 100% of voting shareholders vote for them. Additionally, Articles of Association state that in case where shares of the Company are sold the other shareholders have the pre-emptive right to these shares. The new version of the Articles of Association was registered with the Enterprise Register on 22 March 2018.

On 9 April 2018 the Group Company NHC 5, SIA share capital was increased to EUR 8 200 000. The Company has applied for 96 000 NHC 5, SIA shares, as well as gave up pre-emptive rights to the remaining NHC 5, SIA shares. As a result, the Company participation in NHC 5, SIA has decreased to 1.29%. Within the process of share capital increase ABLV Bank, AS used property contribution to pay for the NHC 5, SIA share capital increase, and acquired 98.71% participation in NHC 5, SIA. On 11 April 2018 NHC 5, SIA share capital increase has been registered in the Register of Enterprises.

(29) Going Concern

On 13 February 2018 the US Department of the Treasury's Financial Crimes Enforcement Network released a statement about the Latvian commercial bank ABLV Bank AS naming it the institution of primary money laundering concern. ABLV Bank, AS has the right to hand in an official response to the statement to the relevant US authorities within 60 days of statement publication.

On 13 February 2018 the Financial and Capital Market Commission (FCMC), in accordance with European Central Bank instructions, has taken a decision to set temporary restrictions on ABLV Bank, AS payments, prohibiting debit operations in all currencies in the ABLV Bank, AS customer accounts. The decision came into force on 19 February 2018.

On 23 February 2018, the FCMC adopted a resolution on unavailability of ABLV Bank, AS deposits. On 26 February 2018 ABLV Bank, AS, the largest shareholder of the Company, has taken a decision on self-liquidation.

On March 5, 2018, ABLV Bank, AS a self-liquidation plan was submitted to FCMC. Within the framework of the liquidation plan, Group assets, as well as the Group ability to operate independently without additional funding were assessed. Both asset sell-off and the cash flows generated by existing assets were assessed in order to determine the optimal solution for the protection and enforcement of ABLV Bank, AS creditor interests. At present, all assets held by the Group are profitable, the Group has a positive cash flow. All Group assets have a positive development potential, as well as expected increase in value through planned property improvements. The Group does not require shareholder investments to continue operations.

Thus, according to the ABLV Bank, AS board decision, the optimal scenario would be to continue the Group's operations in the foreseeable future. In case where ABLV Bank, AS self-liquidation plan is not approved, the management of the Group is of the view that the liquidators appointed by the FCMC are likely to come to the same conclusion given that forced asset disposal is likely to lead to losses. The Group management believes that in the present situation it is reasonable to assert that the Group will continue its operations managing and developing existing properties. The Group has a positive cash flow, and does not require additional investment for continuation of operations, as well as for the realization of development plans.

From 1 January 2018, the amount of funds placed with credit institutions or held as cash and cash equivalents of the Group increased by EUR 2.04 million and on 15 April 2018 was EUR 18.438 million:

Cash and cash equivalents:	31.12.2017	15.04.2018
	EUR`000	EUR`000
ABLV Bank, AS	4 160	12 091
Guaranteed compensation fund	-	101
Other Latvian credit institutions	59	2 831
ABLV Bank, AS bonds with maturity February	12 184	-
Latvian Government bonds with maturity October 2018	-	3 415
Total	16 403	18 438

The Group and the Company have sufficient funds to cover all operating payments as well as to execute the Company's bonds coupon payment on April 16, 2018 without involving funds that are not available at ABLV Bank, AS accounts at the date of these financial statements.

Tenants of the Group properties are unrelated to the ABLV Group; their payment discipline has not deteriorated in comparison to previous periods. Trade receivables that are 30 or more days overdue as at 15 April 2018 amounted to EUR 73 424. Lease payments from Group property tenants are collected in accounts of local banks unrelated to ABLV Bank, AS.

The Group management concluded that based on economic rationale a decision to wound up the business will not be taken and the Group / Company will continue operations. Therefore, the financial statements have been prepared on a going concern basis. Although the continuation of operations Group / Company is the optimal scenario, given the fact that the ABLV Bank, AS liquidation plan is not yet approved by the FCMC, there remains a material uncertainty regarding the Group / Company going concern, and further developments have to remain under close monitoring.



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Independent Auditors' Report

To the shareholders of New Hanza Capital AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of New Hanza Capital, AS ("the Company") and consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 12 to 48 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2017,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2017, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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



Material Uncertainty Relating to the Going Concern

We draw attention to Note 29 of the separate and consolidated financial statements, which indicates that on 19 February 2018, following an outflow of deposits from ABLV Bank, AS (the "Bank") the majority shareholder of the Group, the European Central Bank ("ECB") instructed the Latvian prudential regulator to introduce a prohibition on outbound payments from the Bank. On 23 February 2018, ECB determined that the Bank was failing or likely to fail in accordance with the Single Resolution Mechanism Regulation. On 26 February 2018, the shareholders of the ABLV Bank, AS adopted a resolution to wind the Bank up. There is an uncertainty whether in the course of the liquidation of ABLV Bank, AS both the Company and the Group will be disposed of as a business or whether they will be liquidated together with the Bank. As stated in Note 29, these events or conditions, along with other matters as set forth in Note 29, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Measurement of investment property (Consolidated and separate financial statements)

The carrying amount of investment property in the consolidated financial statements as at 31 December 2017: EUR 35 453 395; fair value change recognised in 2017: EUR 8 060 646; the carrying amount of investment property in the separate financial statements as at 31 December 2017: EUR 748 000; fair value change recognised in 2017: EUR 0.

Reference to the financial statements: Note 3 "Estimates and judgements" on page 19 and Note 6 "Significant accounting policies" on page 21 and Note 7 "Fair value measurement" on pages 23 to 24 (accounting policy) and Note 14 "Investment property" on pages 29 to 32.

Key audit matter

Investment property is held either to earn rental income or for capital appreciation or for both and represents a significant part of the financial position of the Group and the Company. The Group's and the Company's investment property is represented by investments in real estate, which it measures at its fair value, with all changes therein recorded in profit or loss.

Our response

Our procedures in the area included, among others:

- through the analysis of valuation reports as well as discussions with the Management Board members we obtained our understanding of the Group's and Company's approach to estimating the fair value of investment property;



The valuation of the Group's and the Company's investment properties requires the Management Board to apply significant judgement and produce complex estimates, using the input obtained from the external contracted appraisers, particularly in relation to the key assumptions, being those relating to discount rates, cash flow projections and comparable market transactions.

Due to the above factors, we considered measurement of investment property to be our key audit matter.

- we assessed the competence, experience and objectivity of external appraisers engaged by the Company and the Group to perform valuations of the investment properties;
- assisted by our own valuation specialists, we challenged the fair value estimates for real estate and key assumptions incorporated in the valuations, such as comparability of properties with observable transactions used as inputs in the valuations to the real estate being valued, by comparing the characteristics of the properties, discount rates and occupancy rates to our understanding of the real estate market and for discount rates to external market data;
- we assessed the adequacy of the Group's and the Company's disclosures related to the assumptions and significant judgements used to estimate the fair values of investment properties against the requirements of the relevant financial reporting standards.

Reporting on Other Information

The Company's and Group's management is responsible for the other information. The other information comprises:

- General information, as set out on page 3 of the accompanying Annual Report,
- Group Management Report, as set out on pages 4 to 10 of the accompanying Annual Report,
- Statement on Management's Responsibility, as set out on page 11 of the accompanying Annual Report,
- the Statement of Corporate Governance, as set out in separate statement prepared by management available on the Company's website <http://nh.capital/>.

Our opinion on the separate and consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed and in light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.², third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia and if it includes the information stipulated in section 56.² third paragraph, clause 1 of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.², third paragraph, clause 1, of the 'Financial Instruments Market Law' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements

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

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

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

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



Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the extraordinary shareholders' meeting on 25 April 2017 to audit the separate and consolidated financial statements of New Hanza Capital, AS for the year ended 31 December 2017. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2015 to 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company and the Group;
- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit, we have provided the following services to the Company and Group which are not disclosed in the Group Management Report or in the separate and consolidated financial statements of the Company and Group: limited review of dependency statement and translation of annual report to English language.

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A handwritten signature in blue ink, appearing to read 'Rainers Vilāns'.

Rainers Vilāns
Director pp KPMG Baltics SIA
Latvian Certified Auditor
Certificate No. 200
Riga, Latvia
19 April 2018