NEW
HANZA
CAPITAL

New Hanza Capital, AS

Consolidated and Separate Financial Statements

for the twelve-month period ended 31 December 2017
(unaudited)

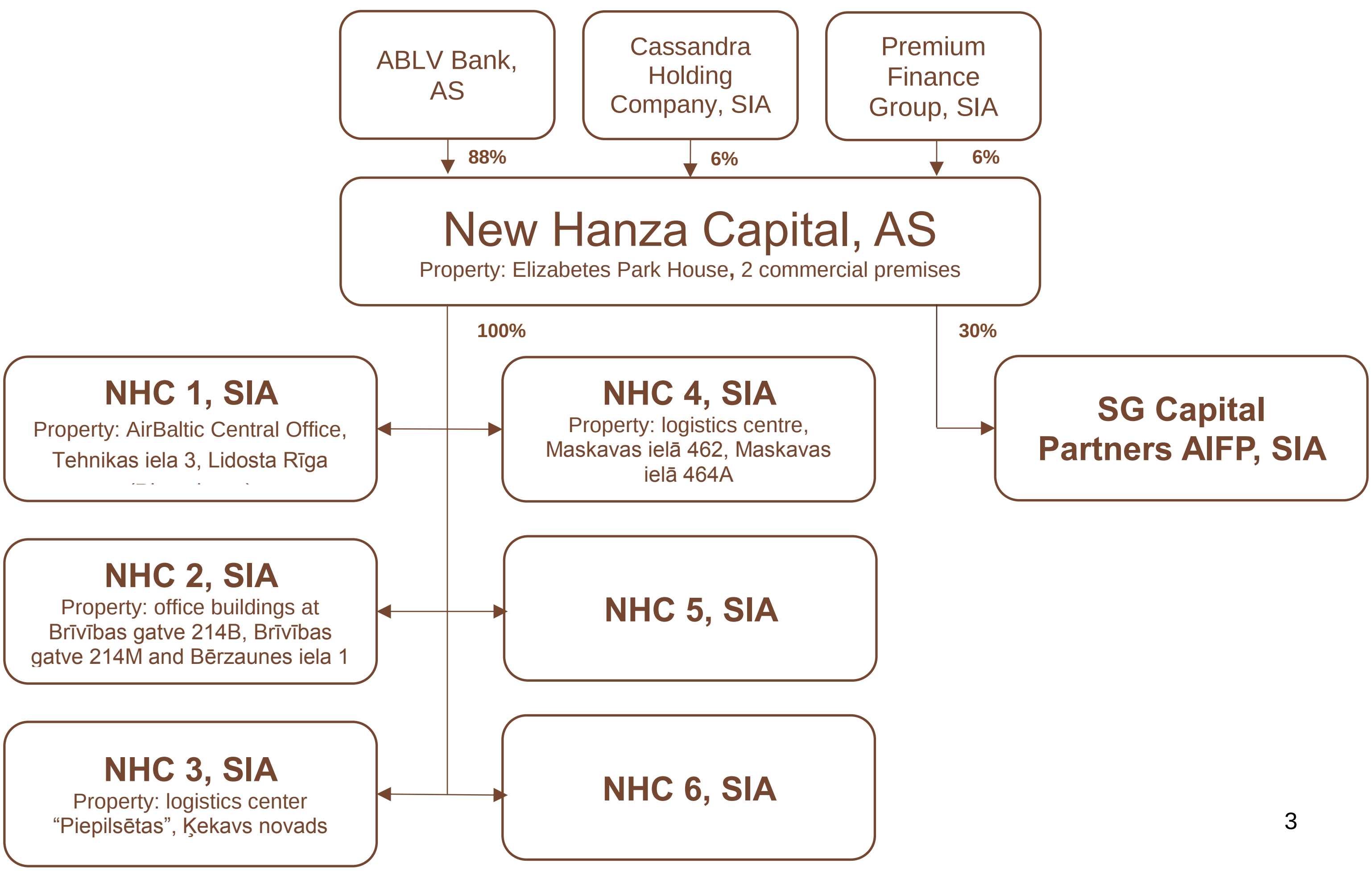
Content

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	Andris Kovaļčuks, Chairman of the Board Arnolds Romeiko, Member of the Board
Members of the Council and their positions	From 4 august 2016 to 13 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 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
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 our investments are intended to be made in various property construction and development projects, such as the business and residential territory New Hanza (located in the Skanste territory in Riga). 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 4th quarter 2017

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 won 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 27,800m^2. The largest tenant of the acquired logistics complex is Latakko, 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.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

Group key financial indicators

The Group result for the reporting period amounts to a EUR 7.99 million profit after tax. The Company closed the 4Q 2017 with a loss of EUR 575 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.

Statement of profit or loss of the Group	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
EBITDA	EUR	8 439 792	(67 039)	119 672
EBIT	EUR	8 433 608	(67 039)	119 672
Profit after tax	EUR	7 989 816	(96 801)	84 750
Cash flows from operating activities	EUR	377 886	40 419	302 828

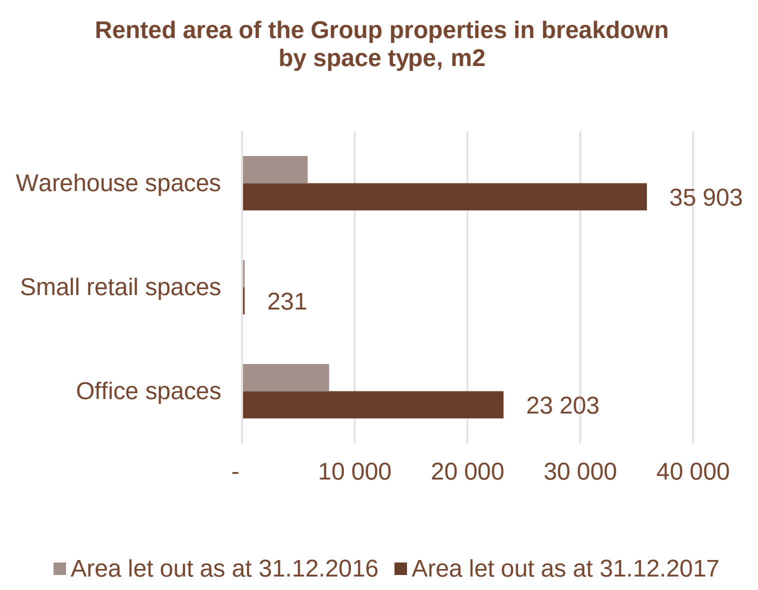
Group balance sheet	Unit	31.12.2017	31.12.2016	31.12.2015
Assets	EUR	52 415 122	20 024 820	1 818 613
Incl. investment property	EUR	35 453 395	13 143 000	748 000
Incl. current assets	EUR	16 835 146	6 757 226	1 044 909
Shareholders' equity	EUR	33 006 529	15 016 713	1 613 514
Liabilities	EUR	19 408 593	5 008 107	205 099
Incl. short term liabilities	EUR	1 948 430	258 407	179 487

Group financial ratios[1]	Unit	31.12.2017	31.12.2016	31.12.2015
EBITDA margin	%	513.52%	-14.82%	18.14%
EBIT margin	%	513.14%	-14.82%	18.14%
Net profit margin	%	486.14%	-21.40%	12.85%
Equity ratio	%	62.45%	62.97%	74.99%
Return on equity	%	24.21%	-0.64%	5.25%
Return on assets	%	15.24%	-0.48%	4.66%
Total liquidity ratio	%	864.04%	2 614.95%	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/m2	4.24	5.18	-18.17%
Weighted average occupancy[5]	% of rentable area	85.05%	69.61%	22.18%

[1] *Explanation of ratios*
EBITDA margin *= EBITDA (in a 12 month period) / revenue (in a 12 month period) * 100%*
EBIT margin *= EBITDA (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*
Return on equity (ROE) *= profit or loss after tax (in a 12 month period) / value of equity * 100%*
Return on assets (ROA) *= profit or loss after tax (in a 12 month period) / value of assets * 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.*

Group performance indicators

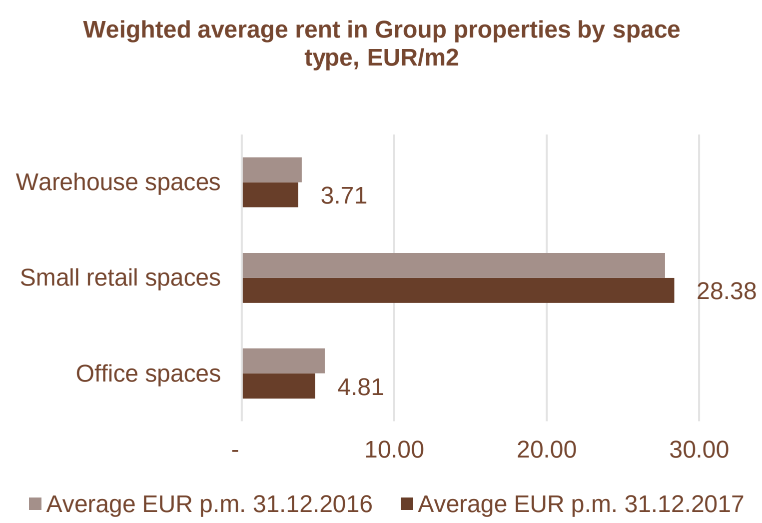


During the reporting period, the number of investment properties owned by the Group was increased by three office buildings in the territory of the former State Electrotechnical Factory (VEF) in Riga, Brīvības gatve 214B, Brīvības gatve 214M and Bērzaunes iela 1 with the total rentable area of over 22 000 square meters.

Another addition to the investment property portfolio was the logistics complex at Maskavas iela 462 / 464A. The property consists of 12.55 ha land and buildings with a total rentable area of 27,800m^2. The largest tenant of the acquired logistics complex is Latakko, SIA – one of the leading car industry companies in the Baltic countries. Income from rent fees and property management of the logistics centre in 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 warehouses and small retail areas at the end of the 4th quarter of 2017 neared 100%. At the same time office occupancy in the Group properties was 69%.



During the reporting period there was a slight 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.

The total average weighted rent per square meter for all of the Group's properties decreased to 4.24 EUR/m^2 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**

Statement of the Management's responsibility

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

The Group and Company financial statements for the twelve-month period and the notes there to set out on pages 14 through 38 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.

The aforementioned financial statements for the twelve-month period are prepared on a going concern basis in conformity with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. 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, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

Group Consolidated and Company Separate Financial Statements

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

	Notes	Group 01.01.2017 - 31.12.2017 EUR	Group 01.01.2016 - 31.12.2016 EUR	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)
Real estate revaluation	14	8 112 934	-	-	-
(Loss)/ profit before taxes		**8 168 170**	**(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		**7 989 816**	**(96 801)**	**(348 105)**	**(128 164)**
Total comprehensive income		**-**	**-**	**-**	**-**

The accompanying notes on pages 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

Statements of Financial Position as at 31 December 2017

	Notes	Group 31.12.2017 EUR	Group 31.12.2016 EUR	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
Fixed assets under construction		52 288			
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		-	107 247	-	11 020
Total non-current assets		**35 579 976**	**13 267 594**	**14 245 862**	**3 979 729**
Current assets					
Trade receivables		144 517	95 195	6	-
Due from related parties		128	-	158 867	760
Loans to related parties	18	-	-	4 774 000	5 061 000
Finance lease receivables		-	8 358	-	8 358
Held-to-maturity financial assets	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		**52 415 122**	**20 024 820**	**35 454 711**	**15 580 037**

The accompanying notes on pages 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

Statements of Financial Position as at 31 December 2017

	Notes	Group 31.12.2017 EUR	Group 31.12.2016 EUR	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		-	-	-	-
Profit / (loss) of the reporting periods		16 713	113 514	(14 650)	113 514
Total equity		7 989 816	(96 801)	(348 105)	(128 164)
Long-term liabilities		**33 006 529**	**15 016 713**	**24 637 245**	**14 985 350**
Deferred tax liabilities					
Loans	22		-		-
Other liabilities	23	17 460 163	4 627 465	9 849 242	457 160
Total long-term liabilities			122 235		14 200
Short-term liabilities					
Loans	22	1 082 463	116 362	711 678	21 865
Amounts due to suppliers		58 610	25 481	23	2 844
Due to related parties		228 948	-	87 800	1 007
Taxes		72 137	5 433		-
Other liabilities	23	311 511	-	14 200	-
Accrued liabilities		194 761	111 131	154 523	97 611
Total short-term liabilities		**1 948 430**	**258 407**	**968 224**	**123 327**
Total liabilities and equity		**52 415 122**	**20 024 820**	**35 454 711**	**15 580 037**

The accompanying notes on pages 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

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

	Notes	Group 01.01.2017 - 31.12.2017 EUR	Group 01.01.2016 - 31.12.2016 EUR	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		8 168 170	(156 643)	(337 085)	(150 596)
Adjustments for:					
Impairment of fixed assets		6 184	-	6 184	-
Income from investments in associated companies		(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		(8 112 934)	-	-	-
Interest expenses		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 of stock			-		-
(Increase)/ decrease in trade receivables		(228 290)	116 112	(117 291)	292 793
Increase/ (decrease) in payables		490 684	68 835	37 456	(78 083)
Interest expenses		(155 730)	(86 498)	(7 131)	(57 591)
Corporate income tax		(71 107)	-	-	-
Cash flows from operating activities		**377 886**	**40 419**	**(360 421)**	**72 606**
Cash flows from investing activities					
Acquisition of investment property		(14 197 461)	(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		(118 472)	-	(66 184)	-
Loans issued		-	-	9 879 000	(11 032 000)
Loans repaid		-	-	(16 739 000)	5 384 000
Net cash flows generated from investing activities		**(14 323 433)**	**(12 452 928)**	**(10 013 684)**	**(8 264 362)**
Cash flows from financing activities					
Income from equity investments		10 000 000	13 500 000	10 000 000	13 500 000
Financial investments in securities		(12 179 000)	-	(12 179 000)	-
Loans received		14 114 966	10 910 000	10 103 487	6 610 000
Repayment of shareholder loans		(316 167)	(6 169 437)	(21 592)	(6 131 256)
Net cash flows from financing activities		**11 619 799**	**18 240 563**	**7 902 895**	**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**

The accompanying notes on pages 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Board Member

26 February 2018

Group's Statement of Changes to the Shareholders Equity for 2017

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting periods	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		**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		-	-	-	7 989 816	**7 989 816**
Transactions with shareholders						
Share issue		10 000 000	-	-	-	**10 000 000**
As at 31 December 2017	21	**25 000 000**	**-**	**16 713**	**7 989 816**	**33 006 529**

The accompanying notes on pages 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 2018

Company's Statement of Changes to the Shareholders Equity for 2017

Company's Statement of Changes to the Shareholders Equity	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	(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		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 14 to 38 form an integral part of these financial statements.

Andris Kovaļčuks
Chairman of the Board

Arnolds Romeiko
Member of the Board

26 February 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.

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 ultimate 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 ielā 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 SIA SG Capital Partners AIFP for EUR 7 500, with the nominal value of each share of EUR 1, totalling to 7 500 shares. SIA SG Capital Partners AIFP 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. SIA SG Capital Partners AIFP provides funds management services to institutional clients in the Baltics. As at the date of these financial statements SIA SG Capital Partners AIFP do not own any real estate.

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. These financial statements were approved by the Board for release on 26 February 2018 and the shareholders' approval is pending. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

Certain balances for 2016 have been classified differently from the prior year, due to changes in legislation and management judgment. There is no impact on the financial result from this change in classification. Prior year corresponding balances have been reclassified, where appropriate, to conform to current year presentation. The opening balances agree with the prior year closing balances.

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

These financial statements give a true and fair view of the financial position of the Group and the Company and the results of their operations and cash flows.

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).

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.

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 and associated companies 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 and Note 17.

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.

Business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. In order for a transaction or an event to be considered a business combination, the activities and assets over the person has gained control should constitute a business. For activities and assets to be considered a business this entity should include both inputs and processes. No output is required to establish whether an entity is a business. The ability to produce output is sufficient for these purposes. If the acquired entity includes only inputs it is accounted for as acquisition of assets rather than a business combination.

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.

5. Basis of measurement

The financial statements are prepared on the historical cost basis except for investment property which is measured at fair value.

The profit and loss statement was prepared according to the function cost method. The cash flow 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).

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 – 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.

Subsequent to initial recognition, 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.

f) Revenues

i) Income from disposal of real estate

Income from the disposal of real estate 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 real estate 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

In accordance with the Annual Reports and Consolidated Annual Reports Law of the Republic of Latvia, companies are permitted to recognise deferred tax supported by justified reasons. In such cases, deferred tax should be recognised, assessed and disclosed in the financial statements in line with the International Financial Reporting Standards (IFRS) as adopted by the EU. 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 Law on Enterprise Income Tax 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 expected to be applied to undistributed profits. Therefore, deferred tax assets and liabilities are recognisable as nil. This principle has been applied in the 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 Law on Enterprise Income Tax 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 receivables at floating 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) 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 at floating 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 at floating 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 Board 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 receivables and purchased financial instruments.

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.

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 and 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 Note 1 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 any 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 and 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 assets 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 the types of revenues it earns.

(iii) 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 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 300 000 and an adjustment to the profit of the previous reporting period of EUR 20 000 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 as the Group participation in its Associate is not material.

(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	Group	NHC	NHC
	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 EUR	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 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**

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.

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 period. Rent agreement between NHC1, SIA and Air Baltic Corporation, AS is unbreakable for the period of 10 years; the agreement also specifies annual rent indexation. Therefore, NHC1, SIA has the right to receive a larger rent fee every 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. Respectively, the aforementioned mistake impacts revenue recognized in 2016, undistributed profits and deferred income tax.

(11) Operating expenses	Group	Group	NHC	NHC
	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 EUR	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 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 real estate	-	90 005	-	-
Total	**686 562**	**202 990**	**240 320**	**44 376**

*) The average number of employees in the Company in 2017 was 4 and in 2016 - 2. The subsidiaries did not employ any staff in 2017 and 2016.

(12) Administrative expenses	Group	Group	NHC	NHC
	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 EUR	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 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**

*For details on personnel expense, see Note 11 above.

(13) Interest and similar expenses	Group	Group	NHC	NHC
	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 EUR	01.01.2017 - 31.12.2017 EUR	01.01.2016 - 31.12.2016 EUR
Interest payments for the loan from a credit institution	163 289	37 756	7 115	5 226
Expenses on securities issue and sale	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	14 197 461
Revaluation result recognised in profit and loss as a gain on revaluation of investment property	8 112 934
As at 31 December 2017	**35 453 395**

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

Fair value of investment properties is based on a valuation by an appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value measurement for investment property at Elizabetes iela 21A of EUR 748 000 thousand 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 gatvē 214M is 55%, that of the building at Brīvības gatvē 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 27 800 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 (based on the effective lease agreement) Annual growth in income - 0% (based on the effective lease agreement) Discount rate in the cash flow forecast period – 8.8% Cash flow forecast period – 5 years Terminal growth rate – 1.3% Capitalization rate – 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).

Investment property of EUR 219 000 (2016: EUR 219 000) located in Riga, Elizabetes ielā 21A, No. 101 75.7 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 – 23.2 EUR/m^2 (based on the effective lease agreement) Annual growth in income - 0% (based on the effective lease agreement) Discount rate in the cash flow forecast period – 8.8% Cash flow forecast period – 5 years Terminal growth rate – 1.3% Capitalization rate – 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: Average adjusted sale price of 1 m^2 of the total area of the facilities rounded at EUR 2 809. The same weighting of 50% is applied to both approaches, the Discounted Cash Flow Approach and the Market Approach.	- Sales prices for similar properties on the market increased (decreased); - Technical condition of the property improved (deteriorated).
Investment property of EUR 6 750 000 (2016: EUR 6 190 000) located in Riga International Airport, Tehnikas ielā 3, 6 556.4 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 income – 6.56 EUR/ m^2 for office premises and 3.29 EUR/ m^2 for auxiliary premises (based on the effective lease agreement) Annual growth in income - 4% Discount rate – 7.50% Occupancy rate – 98% Cash flow forecast period – 9 years Capitalization rate – 7.50%	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); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
Investment property of EUR 10 142 000 located in Riga, Brīvības gatve 214M; Bērzaunes iela 1, Brīvības gatve 214B. 23 264 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	Condition before the reconstruction as at 2017: Rentable area – 17 043 m^2 Monthly rental fees – 4.95 EUR/ m^2 (based on effective lease agreements) Annual growth in income – 1% Discount rate – 9.25% Occupancy rate – 94% Condition after the reconstruction as at 2020: Rentable area – 23 264 m^2 Monthly rental fees – 5.24 EUR/ m^2 (based on effective lease agreements and assumed rent fees for vacant premises) Annual growth in income – 2% Discount rate – 9.25% Occupancy rate – 86% Cash flow forecast period – 5 years Capitalization rate – 9.75%	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); - The reconstruction costs were higher (lower); - The reconstruction period was shorter (longer).

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 – 4.61 EUR/ m^2 (based on effective lease agreements and assumed rent fees for vacant premises) Occupancy 94% Annual growth in income – 0% Capitalization rate – 9.0%	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, 27 800 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% 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	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).

(15) Corporate income tax

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

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

(ii) Reconciliation of effective income tax rate

	Group 01.01.2017 31.12.2017 EUR	NHC 01.01.2017 31.12.2017 EUR	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR
Profit before corporate income tax	8 168 170	(337 085)	(156 643)	(150 596)
Theoretically calculated corporate income tax, 15%	1 225 226	(50 563)	(23 497)	(22 589)
Deferred tax write off	(1 354 307)	50 442	(58 817)	-
Effect of permanent differences	21 834	(10 899)	22 472	157
Corporate income tax for the reporting period	**(107 247)**	**(11 020)**	**(59 842)**	**(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.

(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 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	3 554 955	1 568 471
NHC 3, SIA	100	1 300 000	2 394 627	1 199 678
NHC 4, SIA	100	1 100 000	5 904 542	4 805 194
NHC 5, SIA	100	10 000	(17 191)	(26 539)
NHC 6, SIA	100	10 000	4 042	(5 306)
Total		**5 696 362**	**14 058 853**	**8 331 128**

Name of the Company	Number of shares held as at 31.12.2016	Carrying amount of the investment at 31.12.2016	Equity of the subsidiary as at 31.12.2016	Profit/loss of the related company in the reporting period
	%	EUR	EUR	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	Equity of the associated company as at 31.12.2017	Per cent of equity as at 31.12.2017	Profit/loss of the associated company in the reporting period
	%	EUR	EUR	EUR	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	Group 31.12.2016	NHC 31.12.2017	NHC 31.12.2016
	EUR	EUR	EUR	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 assets held at fair value with recognition in the Profit and Loss Statement - carrying amount	Group	Group	NHC	NHC
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Held-to-maturity financial assets:				
Short term	12 183 736	-	12 183 736	-
Long term	-	-	-	-
Total	**12 183 736**	**-**	**12 183 736**	**-**

As at 31 December 2017, all held-to-maturity assets 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 low risk and high yield financial instruments. All held to maturity financial assets are denominated in EUR. The maximum credit risk position at the reporting date is the carrying amount of held-to-maturity assets.

(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**

(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

	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 (subordinated)	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	-	103 487	281
Issued debt securities (subordinated)	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 (subordinated)	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.

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.

As at 31 December 2017, the total number of holders of bonds was 81. Division of bond holders – 34% of the bonds by their nominal value were held by natural persons and 66% by legal persons. At the reporting date, 38% of bonds by their nominal value were held by natural and legal persons registered in Latvia.

(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	-	122 235	-	14 200
Short term				
Security deposits received from tenants	311 511	-	14 200	-
Total	**311 511**	**122 235**	**14 200**	**14 200**

(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 held to maturity financial assets.

As at 31 December 2017		Group		NHC	
Assets	**Fair value level**	**Carrying amount EUR**	**Fair value EUR**	**Carrying amount EUR**	**Fair value EUR**
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
Held-to-maturity financial assets	1	12 183 736	12 183 736	12 183 736	12 183 736
Finance lease (long term)	3	-	-	-	-
Finance lease (short term)	3	-	-	-	-
Total		**12 183 736**	**12 183 736**	**24 691 736**	**24 691 736**
Liabilities	**Fair value level**	**Carrying amount EUR**	**Fair value EUR**	**Carrying amount EUR**	**Fair value EUR**
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	8 046 159	435 238	435 238
Loans from credit institutions (short term)	3	393 023	393 023	22 238	22 238
Other liabilities (long term)	3	-	-	-	-
Other liabilities (short term)	3	311 511	311 511	14 200	14 200
Total		**18 854 137**	**18 854 137**	**10 575 120**	**10 575 120**

31 December 2016		Group		NHC	
Assets	**Fair value level**	**Carrying amount EUR**	**Fair value EUR**	**Carrying amount EUR**	**Fair value EUR**
Loans to related companies (long-term)	3	-	-	587 000	587 000
Loans to related companies (short-term)	3	-	-	5 061 000	5 061 000
Held-to-maturity financial assets	1	-	-	-	-
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**

Liabilities	Fair value level	Carrying amount EUR	Fair value EUR	Carrying amount EUR	Fair value EUR
Issued debt securities, bonds (long term)	3	-	-	-	-
Issued debt securities, bonds (short term)	3	-	-	-	-
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	122 235	122 235	14 200	14 200
Other liabilities (short term)	3	-	-	-	-
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 utilised 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)		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. The Board believes that the annual interest rate of 1.5% 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. 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.

The table below describes the valuation method used to arrive at the Level 1 fair value:

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

(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 EUR	Group 31.12.2016 EUR	NHC 31.12.2017 EUR	NHC 31.12.2016 EUR
Due from related parties	-	-	158 867	760
Trade receivables	144 645	95 195	6	-
Loans to related parties	-	-	12 508 000	5 061 000
Held-to-maturity financial assets	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 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 EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 – 5 years EUR	Non-fixed term EUR
Issued debt securities, bonds	10 103 444	12 450 000	245 000	348 444	11 856 556	-
Loans from credit institutions	8 427 660	8 904 451	139 353	417 616	8 347 482	-
Other liabilities	311 511	311 511	-	-	-	-
Trade accounts payable	58 610	58 610	-	-	-	-
Due to related parties	228 948	228 948	-	-	-	-
Total	**9 026 729**	**9 503 520**	**139 353**	**417 616**	**8 347 482**	**-**

Non-derivative financial liabilities of NHC as at 31 December 2017	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 – 5 years EUR	Non-fixed term 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	-	-	-	-
Trade accounts payable	23	-	-	-	-	-
Due to related parties	87 800	-	-	-	-	-
Total	**559 175**	**491 755**	**7 207**	**21 620**	**448 728**	**-**

Non-derivative financial liabilities of the Group 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	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	-	-	-
Due to related parties	-	-	-	-	-	-
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	Contractual cash flows	< 3 months	3 - 12 months	1 – 5 years	Non-fixed term
	EUR	EUR	EUR	EUR	EUR	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 AS Swedbank.
The loan agreements carry floating interest rates applicable to utilized funds and calculated as the sum of a based rate of 6 month EURIBOR and an added rate of 1.5%. In case the base rate drops to 0% or lower (including negative) the lender uses a base rate of 0%. In case the base rate rises above 0%, the lender uses the actual base rate. On 9 February 2018, the date of recalculation the loan schedule, the 6m EURIBOR is negative 0.278%. An analysis of the impact on the interest expenses presented in profit or loss resulting from a potential increase by 50 base percent shows that the aggregate interest rate would exceed 1.5% by 0.222%. This is not considered to be a material change on the Group level.

The both loan agreements with NHC 1, SIA carry floating interest rates applicable to utilized funds and calculated as the sum of a base rate of 6 month EURIBOR and an added rate of 1.5%. In case the base rate drops to 0.3% or lower (including negative) the lender uses a base rate of 0.3%. In case the base rate rises above 0.3%, the lender uses the actual base rate. On 09 February 2017, the date of recalculation the loan schedule, the 6m EURIBOR is negative 0.278%. An analysis of the impact on the interest expenses presented in profit or loss resulting from a potential increase by 50 base percent shows that the aggregate interest rate would not exceed 1.8%, which is the rate already applied to current interest expenses on loans.
Given the interest rate structure, the impact of foreseeable changes in interest rates is considered to be immaterial.

The loan agreement with NHC 3, SIA carries a floating interest rate applicable to utilized funds and calculated as the sum of a base rate of 3 month EURIBOR and an added rate of 2.5%. In case the base rate drops to 0% or lower (including negative) the lender uses a base rate of 0%. In case the base rate rises above 0%, the lender uses the actual base rate. On 9 February 2018, the date of recalculation the loan schedule, 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 percent shows that the aggregate interest rate would exceed 2.5% by 0.171%. 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 sales of real estate and 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	31.12.2016
	EUR	EUR
NHC	35 454 711	15 580 037
NHC1	6 950 207	6 383 770
NHC2	10 380 212	7 953
NHC3	7 297 145	6 295 008
NHC4	10 666 732	10 070
Other	33 239	20 140
Eliminated intra-group transactions	(18 367 124)	(8 272 158)
Total	**52 415 122**	**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 and Loss Statement for the period from 01.01.2017--31.12.2017	NHC	NHC1	NHC2	NHC3	NHC4	Other	Eliminated upon consolida-tion	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)
Real estate revaluation	-	560 000	1 590 683	966 809	4 995 442	-	-	8 112 934
Profit/(loss) before taxes	**(337 085)**	**891 883**	**1 583 559**	**1 249 327**	**4 805 309**	**(24 823)**	**-**	**8 168 170**
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**	**1 568 471**	**1 199 678**	**4 805 194**	**(25 052)**	**-**	**7 989 816**

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

(26) Transactions with related parties

a) Transactions with parties that have control over the Group/Company

On 18 April 2016, the Company received a loan of EUR 493 000 from ABLV Bank, AS to invest into share capitals of subsidiaries. The loan agreement carries a floating interest rate applicable to utilized funds and calculated as the sum of a based rate of 6 month EURIBOR and an added rate of 1.5%.

b) 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.

c) Other related party transactions

The statement of profit and loss and other comprehensive income and the statement of financial position as at 31 December 2017and 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	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 finance assets	36 537	-
Parties related to shareholders	Acquisition of a subsidiary	-	229 686
	Due from related parties	127	-
	Due to related parties	228 948	1 850
	Accrued liabilities	-	11 910
	Services received	262 916	52 812
	Interest expenses	-	52 704
Related party transactions in NHC group	Loan	12 508 000	5 648 000
	Due from related parties	162 792	760
	Accrued income	-	7 036
	Contributions to other share capitals	5 696 362	2 616 362
	Interest income	312 716	169 141
	Services received	84 151	12 743

NHC related party	Description of transaction	2017	2016
ABLV Bank, AS	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	7 038
	Accrued liabilities	-	978
	Services received	94 488	52 704
	Interest expenses	-	35 338
	Sale of real estate	-	-

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	-

(29) Subsequent Events

During the 13 February 2018 Company shareholders meeting Company`s members of the Council were released from their duties. The following persons were elected into the Company`s Council for a 5 year term for the period from 13 February 2017 to 12 February 2023: Ernests Bernis, Edgars Pavlovičs, Māris Kannenieks, Edgars Miļūns. The aforementioned changes were proposed by the Company`s largest shareholder ABLV Bank, AS with the goal to increase the number of Council members.

The Company`s Statutes` paragraph §5 was adjusted to accommodate changes in the number of Council members, with four Council Members, including one Chairman of the Council, and one Deputy Chairperson of the Council.

With the Council decision dated 14 February 2018 the new Company Council elected Ernests Bernis as the Chairman of the Council, and Edgars Miļūns as Deputy Chairperson of the Council.

On the 20 February 2018 NHC 4, SIA received a loan from AS “SEB Banka” amounting to EUR 3 million.

On the 22 February 2018 the Company received ABLV Bank, AS bond final coupon payment as well as principal repayment, in the total amount of EUR 12.22 million. The Company directed the received amount to repay the loan agreement Nr. 16-FP-0440, in the total amount of EUR 453.5 thousand. The Company also placed EUR 6 million into a short term deposit with ABLV Bank, AS for a total period of six months.

Since the 1 January 2018 the total amount of cash and cash equivalents in the Group assets has increased by EUR 2.52 million, reaching EUR 18.92 million on the 22 February 2018. This amount includes:

- EUR 6.40 million in the ABLV Bank, AS accounts of the Group;
- EUR 3.03 million in other Latvian commercial bank accounts of the Group;
- EUR 6.00 million in a six month deposit with ABLV Bank, AS;
- EUR 3.49 million are invested in Latvian government bonds, with maturity in October 2018. These financial instruments are held on a Company a broker account with ABLV Bank, AS.

On the 19 February 2018 FCMC imposed restrictions on payments by ABLV Bank, AS based on the ECB instruction. On the 23 February 2018 FCMC adopted a decision on the occurrence of unavailability of deposits at ABLV Bank AS. For further information, please refer to the ABLV Bank, AS homepage.

The Group and the Company have sufficient liquidity in order to finance daily operations, as well as meet its short term obligations, including the obligation to pay out the coupon due on the 16 April 2018 in accordance with New Hanza Capital, AS issued bond prospectus.

The Group investment property tenants are not affiliated with ABLV Bank, AS, and their payment discipline has not worsened relative to previous periods.

According to the secured loan agreements, tenant rent fees are paid into Group bank accounts with the Bank, which issued the respective secured loans.