NEW
HANZA
CAPITAL

New Hanza Capital, AS
(Pillar Investment Group, AS
Pillar Investment Group, SIA)

Group Consolidated and Company
Separate Financial Statements

for the year ended 31 December 2016

Contents

General information

Name of the company	New Hanza Capital (formerly Pillar Investment Group)
Legal status	Joint Stock Company
Number, place and date of registration	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	68.20 Renting and operating of own or leased real estate
Members of the Board and their positions	From 4 August 2016 Andris Kovaļčuks, Chairman of the Board Arnolds Romeiko, Board Member Until 3 August 2016 Māris Kannenieks, Chairman of the Board Ernests Bernis, Board Member
Members of the Supervisory Council and their positions	From 4 August 2016 Ernests Bernis, Chairman of the Council Ieva Valtere, Deputy Chairman of the Council Māris Kannenieks, Council Member
Reporting period	1 January 2016 – 31 December 2016
Information on the parent company	From 16 December 2016 ABLV Bank, AS Elizabetes iela 23, Riga, LV-1010, Latvia Holding: 88% PREMIUM FINANCE GROUP, SIA Lāčplēša iela 47-2, Riga, LV-1011, Latvia Holding: 8% Cassandra Holding Company, SIA Nometnes iela 14A, Jurmala, LV-2015, Latvia Holding: 4% Until 15 December 2016 Pillar Holding Company, KS Elizabetes iela 23, Riga, LV-1010, Latvia Holding: 88% PREMIUM FINANCE GROUP, SIA Lāčplēša iela 47-2, Riga, LV-1011, Latvia Holding: 8% Cassandra Holding Company, SIA Nometnes iela 14A, Jurmala, LV-2015, Latvia Holding: 4%

General information (continued)

Information on subsidiaries	From 27 January 2016 NHC 1, SIA (former name Pillar Investment 1, SIA) Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
	From 25 January 2016 NHC 2, SIA (former name Pillar Investment 2, SIA) Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
	From 20 May 2016 NHC 3, SIA (former name Pillar Investment 3, SIA) Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
	From 15 November 2016 NHC 4, SIA Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
	From 15 November 2016 NHC 5, SIA Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
	From 15 November 2016 NHC 6, SIA Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia (formerly Elizabetes iela 23, Riga, LV-1010, Latvia) Holding: 100%
Auditors	KPMG Baltics SIA Vesetas iela 7 Rīga, LV-1013 License No 55

Group Management Report

Joint Stock Company New Hanza Capital, AS (former name – Pillar Investment Group, AS), hereinafter the Company or NHC commenced operating on 6 June 2006.

In 2016, the Company acquired one company and founded 5 new subsidiaries.Two subsidiaries in 2016 acquired two commercial properties - on 2 May 2016 an office building at 3 Tehnikas iela, Marupe, Marupes novads and on 22 November 2016 a warehouse in "Piepilsētas", Krustkalnos, Ķekavas pagasts, Ķekavas novads.

In 2016, the shareholders of the Company changed. On 16 December 2016 ABLV Bank, AS acquired the shares of the Company previously held by Pillar Holding Company, KS and became the largest shareholder holding 88% of share capital.

On 8 February 2017, the Company acquired 30% shares of alternative investment fund manager SIA SG Capital Partners AIFP and by this commenced provision of third party asset management services at an institutional level.

The financial result of the reporting year for the Company is a loss of EUR 128,164, which is explained by investments made in creating a professional team for implementation of further objectives. The financial result of the reporting year for the Group is a loss of EUR 145,479, which is explained by incurring expenses on transaction research and launching operations which requires initial investments to secure future success.

The strategic objective of the Company and the Group is investing in commercial properties in Latvia, Germany and Luxembourg, which includes, among others, office buildings and warehouses. To finance new investments at the beginning of 2016 the Company increased its share capital to EUR 5 000 000. On 5 December 2016 the Company further increased its share capital to EUR 15 000 000. On 23 February 2017, the Council of the Company approved the increase in share capital to EUR 18 000 000, and this decision was approved by the shareholders on 1 March 2017. The payments into share capital was received on 12 April 2017.

The Company's future plan is to increase its investment portfolio, including by investments outside Latvia.

The financial statements of the Company for 2016 were prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS) on a going concern basis.

Ernests Bernis
Chairman of the Council

Andris Kovaļčuks
Chairman of the Board

25 April 2017

Statements of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2016

	Notes	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Revenue	10	395 027	89 574	659 614
Operating expenses*	11	(202 990)	(44 376)	(527 963)
Gross profit		**192 037**	**45 198**	**131 651**
Selling expenses		(11 445)	(11 445)	(2 506)
Administrative expenses	12	(322 259)	(295 915)	(12 497)
Other operating income		75 093	55 000	3 024
Other operating expenses		(57 733)	(55 501)	-
Other interest and similar income	13	856	169 997	1 045
Interest and similar expenses	14	(90 460)	(57 930)	(22 264)
(Loss) / profit before tax		**(213 911)**	**(150 596)**	**98 453**
Deferred tax	15	68 432	22 432	(13 703)
(Loss) / profit of the reporting year		**(145 479)**	**(128 164)**	**84 750**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income		**(145 479)**	**(128 164)**	**84 750**

* Real estate tax for 2015 was reclassified to operating expenses.

The accompanying notes on pages 12 to 38 form an integral part of these financial statements.

Ernests Bernis
Chairman of the Council

Andris Kovaļčuks
Chairman of the Board

25 April 2017

Statements of Financial Position at 31 December 2016

	Notes	Group 31.12.2016 EUR	NHC 31.12.2016 EUR	NHC 31.12.2015 EUR
Assets				
Non-current assets				
Investment property	16	13 143 000	748 000	748 000
Investments in subsidiaries	17	-	2 616 362	-
Loans to related companies	18	-	587 000	-
Finance lease receivables	19	17 347	17 347	25 704
Deferred tax assets	15	115 837	11 020	-
Total non-current assets		**13 276 184**	**3 979 729**	**773 704**
Current assets				
Trade receivables		95 195	-	-
Due from related parties		-	760	504
Loans to related companies	18	-	5 061 000	-
Finance lease receivables	19	8 358	8 358	8 154
Other assets	20	51 478	26 329	319 378
Cash	21	6 544 927	6 503 861	716 873
Total current assets		**6 699 958**	**11 600 308**	**1 044 909**
Total assets		**19 976 142**	**15 580 037**	**1 818 613**

The accompanying notes on pages 12 to 38 form an integral part of these financial statements.

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Chairman of the Board

25 April 2017

Statements of Financial Position at 31 December 2016

	Notes	Group 31.12.2016 EUR	NHC 31.12.2016 EUR	NHC 31.12.2015 EUR
Liabilities				
Equity				
Share capital		15 000 000	15 000 000	1 500 000
Reserves:				
other reserves		-	-	40 813
Retained earnings/ accumulated (loss) of previous years		113 514	113 514	(12 049)
(Loss) / profit of the reporting year		(145 479)	(128 164)	84 750
Total equity	22	**14 968 035**	**14 985 350**	**1 613 514**
Long-term liabilities				
Deferred tax liabilities		-	-	11 412
Loans from credit institutions	23	4 627 465	457 160	-
Other liabilities	24	122 235	14 200	14 200
Total long-term liabilities		**4 749 700**	**471 360**	**25 612**
Short term liabilities				
Loans from credit institutions	23	113 098	21 584	**-**
Trade accounts payable		25 481	2 844	176 526
Due to related parties		-	1 007	-
Taxes		5 433	-	-
Accrued liabilities		114 395	97 892	2 961
Total short-term liabilities		**258 407**	**123 327**	**179 487**
Total liabilities and equity		**19 976 142**	**15 580 037**	**1 818 613**

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Chairman of the Council

Andris Kovaļčuks
Chairman of the Board

25 April 2017

Statements of Cash Flows for the year ended 31 December 2016

	Notes	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Cash flows from operating activities				
(Loss) / profit of the reporting year before tax		(213 911)	(150 596)	98 453
Adjustments for:				
Interest income		(856)	(169 997)	(1 045)
(Gain) / loss on revaluation of investment property		-	-	(3 000)
Interest expenses		90 460	57 930	22 264
Profit before changes in working capital		**(124 307)**	**(262 663)**	**116 672**
Loans repaid		8 153	8 153	7 955
Interest received		856	169 997	1 045
(Increase)/decrease of stock		-	-	511 252
(Increase)/ decrease in trade receivables		173 380	292 793	(310 865)
Increase/ (decrease) in payables		68 835	(78 083)	(23 231)
Interest expenses		(86 498)	(57 591)	-
Cash flows from operating activities		**40 419**	**72 606**	**302 828**
Cash flows from investing activities				
Acquisition of investment property		(12 395 000)	-	-
Acquisition of shares in related companies / net cash paid on acquisition	17	(57 928)	(2 616 362)	-
Loans issued		-	(11 032 000)	-
Loans repaid		-	5 384 000	-
Net cash flows generated from investing activities		**(12 452 928)**	**(8 264 362)**	**-**
Cash flows from financing activities				
Proceeds from issued share capital		13 500 000	13 500 000	1 497 155
Loans received		10 910 000	6 610 000	-
Repayment of shareholder loans		(6 169 437)	(6 131 256)	(1 150 000)
Net cash flows from financing activities		**18 240 563**	**13 978 744**	**347 155**
Increase/(decrease) in net cash during the reporting year		5 828 054	5 786 988	649 983
Cash at the beginning of the reporting year		716 873	716 873	66 890
Cash at the end of the reporting year	21	**6 544 927**	**6 503 861**	**716 873**

The accompanying notes on pages 12 to 38 form an integral part of these financial statements.

Ernests Bernis
Chairman of the Council
25 April 2017

Andris Kovaļčuks
Chairman of the Board

Group's Statement of Changes to the Shareholders Equity for 2016

	Notes	Paid-in share capital	Reserves	Retained earnings/ (accumulated loss) of previous years	(Loss) / profit of reporting year	Total capital and reserves
1 January 2015		**2 845**	**100 660**	**(12 049)**	**-**	**91 456**
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	84 750	**84 750**
Transactions with owners						
Decrease of reserves	22	-	(59 847)	-	**-**	**(59 847)**
Share issue		1 497 155	-	-		**1 497 155**
31 December 2015		**1 500 000**	**40 813**	**(12 049)**	**84 750**	**1 613 514**
1 January 2016		**1 500 000**	**40 813**	**72 701**	**-**	**1 613 514**
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	**(145 479)**	**(145 479)**
Transactions with owners						
Share issue		13 500 000	-	-	**-**	**13 500 000**
Decrease of reserves	22	-	(40 813)	40 813	**-**	**-**
31 December 2016		**15 000 000**	**-**	**113 514**	(145 479)	**14 968 035**

The accompanying notes on pages 12 to 38 form an integral part of these financial statements.

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Chairman of the Council

Andris Kovaļčuks
Chairman of the Board

25 April 2017

Company's Statement of Changes to the Shareholders Equity for 2016

	Notes	Paid-in share capital	Reserves	Retained earnings/ (accumulated loss)	(Loss) / profit of reporting year	Total capital and reserves
1 January 2015		**2 845**	**100 660**	**(12 049)**	**-**	**91 456**
Total comprehensive income						
Total comprehensive income for the reporting period		-	-		84 750	**84 750**
Transactions with owners						
Decrease of reserves		-	(59 847)	-	**-**	**(59 847)**
Share issue		1 497 155	-	-	**-**	**1 497 155**
31 December 2015		**1 500 000**	**40 813**	**(12 049)**	**84 750**	**1 613 514**
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 owners						
Share issue		13 500 000	-	-	**-**	**13 500 000**
Decrease of reserves	22	-	(40 813)	40 813	**-**	**-**
31 December 2016		**15 000 000**	**-**	**113 514**	**(128 164)**	**14 985 350**

The accompanying notes on pages 12 to 38 form an integral part of these financial statements.

Ernests Bernis
Chairman of the Council

Andris Kovaļčuks
Chairman of the Board

25 April 2017

Notes to the financial statements

(1) The reporting entity and group

The entity preparing these financial statements is New Hanza Capital, AS (hereinafter the Company or NHC, former name Pillar Investment Group, SIA until 3 August 2016, Pillar Investment Group, AS until 26 December 2016), registered with the Enterprise Register of Latvia on 6 June 2006. The legal address of the Company is Pulkveža Brieža iela 28A, Riga, LV-1045. The parent company from 16 December 2016 is ABLV Bank, AS. (until 16 December 2016 - limited partnership Pillar Holding Company), holding 88% of share capital. The other shareholders of the Company since 13 April 2016 are PREMIUM FINANCE GROUP, SIA holding 8% shares and Cassandra Holding Company, SIA holding 4% shares (until 12 April 2016 Lielie Rītabuļļi, SIA 8.4007%).
The Company is engaged in sales and rent of own real estate.

The Group consolidated and the Company separate financial statements for the period from 1 January 2016 to 31 December 2016 presents financial information of New Hanza Capital, AS and its subsidiaries (the Group). In line with applicable requirements these consolidated financial statements for the period from 1 January 2016 to 31 December 2016 also include the Company's separate financial statements. The Company is the ultimate parent company.

The Group consists of the following companies:

NHC 1, SIA (previously – Pillar Investment 1, SIA) registered with the Enterprise Register of Latvia 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. According to the International Financial Reporting Standards this acquisition was classified as acquisition of individual assets. The purchase price is EUR 229 686. NHC 1, SIA owns an office building at 3 Tehnikas Street, Riga International Airport in Mārupe district, which is leased out to Air Baltic Corporation, AS.

NHC 2, SIA (previously – Pillar Investment 2, SIA) registered with the Enterprise Register of Latvia 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. As at the date of these statements NHC 2, SIA does not own any real estate.

NHC 3, SIA (previously – Pillar Investment 3, SIA) registered with the Enterprise Register of Latvia 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.

Subsidiaries NHC 4, NHC 5 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 4, NHC 5 and NHC 6, SIA is lease and management of own or leased real estate property. The Company holds 100% of share capital of NHC 4, NHC 5, and NHC 6 SIA and these companies are included in the Group. As at the date of these statements NHC 4, NHC 5, and NHC 6 SIA do not own any real estate.

(2) Accounting principles

These 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 25 April 2017 and the shareholders' approval is pending. 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.
The reporting period is the 12 months from 1 January 2016 to 31 December 2016.
These financial statements provide a true and fair view of the financial position of the Group and the results of its operations and cash flows.
The accounting methods are consistently applied by all companies within the Group.

Notes to the financial statements

(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 the accounting estimates are recognised in the period when those estimates are reviewed and in the future periods.
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 16 - Investment property).
b) Deferred tax asset
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax amounts are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
The Company has recognised a deferred tax asset (refer to Note 15 - Corporate income tax) based on the assumption that future taxable profit will be available to cover tax losses. The Group/Company has recognised a deferred tax asset based on the assumption that due to increased sales future taxable profit will be available to cover tax losses.
c) Determination of business combination or asset purchase
The Group purchases investment property for which there can be rent agreements already in place. The Group performs an analysis based on criteria identified in IFRS 3 Business Combinations to determine if the acquired investment property together with the related agreements constitutes a business. In the current year, the management has assessed that acquired investment property does not constitute a business on the basis that properties were acquired with rent agreements, but without agreements entailing processes like real estate management.

(4) Consolidation

These consolidated financial statements include New Hanza Capital, AS and all subsidiaries controlled by New Hanza Captal, AS (the Group parent company). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The structure of the Group is presented in Note 17. The acquisition of subsidiary NHC 1, SIA was treated as acquisition of individual assets for the needs of the Group. Thus the entire purchase price was allocated to specific assets – cash and deferred tax.
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.
A 'business combination' is a transaction in which an acquirer obtains control of one or more businesses. For a transaction or event to be a business combination, the activities and assets over which the acquirer has obtained control is required to constitute a business. For an integrated set of activities and assets to be considered a business, the set needs to contain both inputs and processes. Outputs are not required to qualify as a business as long as there is the ability to create outputs. If the acquired set includes only inputs, then it is accounted for as an asset acquisition rather than as a business combination.

(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

Notes to the financial statements

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 – 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 way 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 amortised based on the effective interest rate of the instrument.

(iii) Derecognition

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 recognized separately as assets or liabilities. A financial liability is derecognized 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 recognized 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 remeasured 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

Notes to the financial statements

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/Group 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

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. An assets of the Group / Company subject to operating leases is presented in statements of financial position 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

Lease income from operating leases are recognised in income on a straight-line basis over the lease term.

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

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. These differences have primarily occurred due to tax loss available to be carried forward according to the tax declaration and fair value revaluation of investment property.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.
A deferred tax asset on unused tax losses and other temporary differences is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

Notes to the financial statements

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 conditions that existed at the end of the reporting period (adjusting events after the reporting period). 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.

A number of the Group/Company's accounting policies 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 method;
- 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/Company's portfolio of investment property using income and/or market approaches is valued on an annual basis by external, independent valuation company. Having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. In 2016, an external valuation was not obtained for an investment property located in Ķekavas nov., Krustkalnos, Piepilsētas was not obtained on the basis that the purchase was performed in third quarter of 2016 and the purchase price corresponded to an earlier external valuation. Fair value is measured using the discounted cash flow approach in combination with terminal value component, capitalisation 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.

Notes to the financial statements

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 analyze 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.

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 a security deposit or bank guarantee (usually security deposit is for the amount of rent payment of two months).

Cash and cash equivalents are not exposed to a significant credit risk as counterparties are banks with high credit ratings.

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's/Company's approach to managing liquidity is to ensure, as far as possible, that the Group/Company will always have sufficient liquidity to meet their liabilities

as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's/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. As the Group/ Company does not hold financial assets at fair value through profit and loss and does not use derivatives financial instruments at fixed rates or no rates are not exposed to fair value risk.

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.

(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 2016.
The following guidance effective from 1 January 2016 did not have any impact on these financial statements:
- IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- IAS 1 *Presentation of Financial Statements*
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*
- IAS 19 *Defined Benefit Plans: Employee Contributions*
- IAS 27 *Consolidated Financial Statements*
- 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 2016, 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:
- held in a business model whose objective is to hold them 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 derecognition.

Notes to the financial statements

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 (2014) 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 the 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 Group's / Company's financial statements, 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. The management of the Group/ Company is still assessing the materiality and impact of the new standard.

(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 retrospectively. Early 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.

Notes to the financial statements

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 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB; however earlier adoption 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 premises or not), while
- 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 part of the subsidiary.

The Group / Company do not expect that the amendments, when initially applied, will have material impact on the financial statements as they do not have associates or joint ventures.

(vi) Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.)
The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).
It is expected that the amendments, when initially applied, will not have a material impact on the Group's/ Company's financial statements.

(vii) Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017; to be applied retrospectively. Early application is permitted.)
The amendments clarify how and when to account for deferred tax assets in certain situations and clarifies how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.
It is expected that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements as the Group / Company already measure future taxable profit in a manner consistent with the Amendments.
(viii) 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 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 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.

(ix) 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 derecognition 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 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities

Notes to the financial statements

are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. 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.

Notes to the financial statements

(10) Revenue

Revenue represents revenue generated during the reporting period from the Group's basic activities – sales of real estate properties and lease of premises, net of value added tax and discounts.

	Group	NHC	NHC
	01.01.2016 31.12.2016 EUR	01.01.2016 31.12.2016 EUR	01.01.2015 31.12.2015 EUR
Income from lease of premises and public utility services	388 592	76 830	76 830
Other income	6 435	12 744	-
Income from disposal of real estate	-	-	582 784
Total	**395 027**	**89 574**	**659 614**

(11) Operating expenses

	Group	NHC	NHC
	01.01.2016 31.12.2016 EUR	01.01.2016 31.12.2016 EUR	01.01.2015 31.12.2015 EUR
Other expenses on acquisition of real estate	90 005	-	-
Expenses on due diligence of transactions	73 645	40 741	-
Other operating expenses	29 117	3 635	10 862
Maintenance of buildings	10 223	-	5 849
Expenses on disposal of property	-	-	511 252
Total	**202 990**	**44 376**	**527 963**

(12) Administrative expenses

	Group	NHC	NHC
	01.01.2016 31.12.2016 EUR	01.01.2016 31.12.2016 EUR	01.01.2015 31.12.2015 EUR
Personnel costs	171 718	171 718	-
Professional services	99 420	87 291	9 465
Other	38 114	33 014	2 500
Legal services	11 277	3 495	333
Bank charges	1 730	397	199
Total	**322 259**	**295 915**	**12 497**

Notes to the financial statements

(13) Other interest and similar income

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Interest income from loans to subsidiaries	-	169 141	-
Interest income from loans	847	847	1 045
Fines received	9	9	-
Total	**856**	**169 997**	**1 045**

(14) Other interest and similar expenses

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Interest expenses on loans from related parties	52 704	52 704	22 264
Interest payments for the loan from a credit institution	37 756	5 226	-
Total	**90 460**	**57 930**	**22 264**

Interest payments on loans are described in Note 18 and 23.

(15) Deferred tax

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

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Current tax according to the declaration	-	-	-
Deferred tax	68 432	22 432	(13 703)
Corporate income tax recognised in the profit and loss statement	**68 432**	**22 432**	**(13 703)**

(ii) Reconciliation of effective income tax rate

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Profit before taxation	(213 911)	(150 596)	98 453
Theoretically calculated corporate income tax, 15%	(32 087)	(22 589)	14 768
Deferred tax asset reassessment	(58 817)	-	-
Effect of permanent differences	22 472	157	(1 065)
Corporate income tax for the reporting year	**(68 432)**	**(22 432)**	**13 703**

Notes to the financial statements

(iii) Changes in deferred tax assets

Group

	Net balance as at 1 January 2016 EUR	Deferred tax asset recognised at acquisition date EUR	In profit or loss EUR	Net balance as at 31 December 2016 EUR	Deferred tax asset EUR	Deferred tax liabilities EUR
Effect of changes in value of investment property	(24 706)	**-**	13 153	(11 553)	-	(11 553)
Tax losses brought forward	13 294	58 817	55 279	127 390	127 390	-
Deferred tax assets/ (liabilities) before offsetting	**(11 412)**	**58 817**	**68 432**	**115 837**	**127 390**	**(11 553)**
Tax offsetting	-	**-**	-	-	(11 553)	11 553
Net deferred tax assets	**-**	**-**	**-**	**-**	**115 837**	**-**
Net deferred tax (liabilities)	**(11 412)**					

As at 31 December 2016, the Group has accumulated tax losses of EUR 849 269. The Group plans to generate profit in future periods and use the accumulated losses over a period of 2 to 3 years.

Group / NHC

	Net balance as at 1 January 2015 (unaudited)	Recognized in profit or loss	Net balance as at 31 December 2015	31 December 2015	
				Deferred tax asset	Deferred tax liabilities
	EUR	EUR	EUR	EUR	EUR
Effect of changes in value of investment property	(14 533)	(10 173)	(24 706)	-	(24 706)
Effect of temporary differences in other positions	(2 467)	2 467	-	-	-
Tax losses brought forward	19 291	(5 997)	13 294	13 294	-
Deferred tax assets/ (liabilities) before offsetting				**13 294**	**(24 706)**
Tax offsetting				(13 294)	13 294
Net deferred tax (liabilities)				**-**	**(11 412)**

NHC

	Net balance 1 January 2016 EUR	In profit or loss	Net balance as at 31 December 2016	Deferred tax asset EUR	Deferred tax liability EUR
Effect of changes in value of investment property	(24 706)	13 153	(11 553)	-	(11 553)
Tax losses brought forward	13 294	9 279	22 573	22 573	-
Deferred tax assets/ (liabilities) before offsetting	**(11 412)**	**22 432**	**11 020**	**22 573**	**(11 553)**
Tax offsetting	-	-	-	(11 553)	11 553
Net deferred tax assets	**-**	**-**	**-**	**11 020**	**-**
Net deferred tax (liabilities)	**(11 412)**				

Notes to the financial statements

(16) Investment property

Group	Investment property EUR
31 December 2014	**745 000**
Revaluation result recognised in profit and loss as a gain on revaluation of investment property	3 000
31 December 2015	**748 000**
Acquired	12 395 000
31 December 2016	**13 143 000**

The non-cancelable revenue from Group's operating leases:

Period	up to 1 year	from 1 to 5 years	from 5 years and up to the expiry date of the contract
Lease revenue EUR	666 894	2 030 541	2 203 702

The non-cancelable revenue from NHC operating leases:

Period	up to 1 year	from 1 to 5 years	from 5 years and up to the expiry date of the contract
Lease revenue EUR	19 310	-	-

The fair value of investment property is based on a valuation by an independent 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 of investment property is EUR 748 000 (appraisals were carried out on 13 and 18 January 2016) and it is categorised as Level 3 in the fair value hierarchy.

On 2 May 2016, the Group company NHC 1, SIA completed the purchase of the administration building at Tehnikas iela 3, Riga International Airport, Marupe district, which is fully leased.

On 22 November 2016, the Group company NHC 3, SIA acquired an office and warehouse complex in Piepilsētas, Krustkalni, Ķekavas pagasts, Ķekavas novads. At the end of the financial year 2016 the occupancy rate of the complex was 59% but at the date of these financial statements the occupancy rate was 96%.

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 investments made by NHC 1, SIA and NHC 3, SIA were not revalued in 2016 as 12 months had not passed since acquisition. The fair value of the Group's investment properties is categorized as Level 3 in the fair value hierarchy.

Notes to the financial statements

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

Type	Valuation method	Significant unobservable inputs	Difference between significant unobservable inputs and fair value measurement
Investment property of EUR 529 000 (2015: EUR 529 000) located in Riga, Elizabetes ielā 21A, No. 103, 154.9 m^2	2016 and 2015: Discounted cash flow mode with terminal value component at the end of the forecast period: The model is based on the discounted cash flow resulted from provision of services	Monthly rental income during the forecast period – 30 EUR/m^2 (based on the effective lease agreement) Annual growth in income - 0% (based on the effective lease agreement) Discount rate during 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/capitalisation 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).
	2016 and 2015: 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).
		A 50% weighting is applied to each approach, the Discounted Cash Flow Approach and the Market Approach.	
Investment property of EUR 219 000 (2015: EUR 219 000 (unaudited)) located in Riga, Elizabetes iela 21A, No. 101, 75.7 m^2	2016 and 2015: Discounted cash flow model with terminal value component at the end of the forecast period: The model is based on the discounted cash flow resulted from provision of services	Monthly rental income during the forecast period – 23.2 EUR/m^2 (based on the effective lease agreement) Annual growth in income - 0% (based on the effective lease agreement) Discount rate during 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/capitalization 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).
	2016 and 2015: Market approach: The present value is calculated by reference to transactions with similar real estate properties	Comparable properties: Adjusted average sales price of 1 m^2 of the total area of the facilities rounded at EUR 2 809.	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).
		A 50% weighting is applied to each approach, the Discounted Cash Flow Approach and the Market Approach.	

Notes to the financial statements

Type	Valuation method	Significant unobservable inputs	Difference between significant unobservable inputs and fair value measurement
Investment property of EUR 6 190 000 located at Tehnikas iela 3, Riga International Aiport, 6556.4 m^2	2016: Discounted cash flow model with terminal value component at the end of the forecast period: The model is based on the discounted cash flow resulted from provision of services	Monthly rental income – 6.31 EUR/ m2 for office premises and 3.16 EUR/ m2 for auxiliary premises (based on the effective rent agreement) Annual growth in income - 4% (based on the effective lease agreement) Discount rate – 8.20% Occupancy rate – 98% Cash flow forecast period – 10 years Terminal value growth rate: 0% Capitalization rate – 7.75%	The estimated fair value would increase (decrease) if: - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - Occupancy rate would be 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 6 205 000 located in Ķekavas nov., Krustkalnos, Piepilsētas, 14153.5 m^2	2016: Capitalisation model: The model on capitalising net cash flows from the real estate	Monthly rental income – 4.08 EUR/ m^2 (based on the effective rent agreement terms and assumed rental rates for vacant premises) Occupancy rate of 96% 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); - Occupancy rate was higher (lower);

NHC	Investment property EUR
31 December 2014	**745 000**
Revaluation result recognised in profit and loss as a gain on revaluation of investment property	3 000
31 December 2015	**748 000**
31 December 2016	**748 000**

(17) Investments in subsidiaries

Investments in subsidiaries	EUR
Carrying amount 31.12.2015	**-**
Acquired in 2016	2 616 362
Carrying amount 31.12.2016	**2 616 362**

Notes to the financial statements

Name of the Company	Number of shares 31.12.2016	Investment book value 31.12.2016	Equity of the subsidiary as at 31.12.2016	Profit/loss of the related company in the reporting year
	%	EUR	EUR	EUR
NHC 1, SIA	100	1 276 362	1 379 569	103 207
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**	**2 599 047**	**(17 315)**

In 2016, the Company acquired one company and founded 5 new subsidiaries.
The acquisition of NHC 1, SIA is reflected in the consolidated financial statements as acquisition of assets rather than a business as NHC 1, SIA was not an active business on the date of acquisition. NHC 1, SIA was acquired for EUR 229 686. After acquisition additional investment in the amount of EUR 1 046 676 in NHC1 share capital was made.

The table below presents the acquired assets as at the acquisition date:

Balance of NHC 1, SIA at acquisition date for Group purposes

	27.01.2017
Assets	**EUR**
Deferred tax assets	58 817
Receivables	170
Cash	171 758
Total assets	**230 745**

	27.01.2017
Liabilities	**EUR**
Shareholders' equity	
Total shareholders' equity	229 686
Total short-term liabilities	1 059
Total liabilities	**230 745**

Fair value of receivables, cash and short-term liabilities was based on net carrying amount which represented fair value due to short-term nature at assets and liabilities.

(18) Loans to related companies

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Long term			
Loans to subsidiaries	-	587 000	-
Short term			-
Loans to subsidiaries	-	5 061 000	-
Total loans to subsidiaries	**-**	**5 648 000**	**-**

Notes to the financial statements

Loans to related companies include loans to subsidiaries disclosed as credit lines. To the reporting date, the loan to NHC 1, SIA was issued in the amount of EUR 577 000, to NHC 2, SIA – EUR 10 000 and to NHC 3, SIA – EUR 5 061 000. The annual interest rate for all loans is 4.5%. The loans are not secured. Interest calculated on these loans at the reporting date was paid. As at 31 December 2016, there are no overdue payments for issued loans.

(19) Finance lease receivables

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Long term	-	-	-
Finance lease	17 347	17 347	25 704
Short term			
Finance lease	8 358	8 358	8 154
Total other loans	**25 705**	**25 705**	**33 858**

On 22 December 2014 the Company signed a lease agreement which, in its nature, is a finance lease agreement. The last payment is scheduled to be made on 30 November 2019. The Company retains title to the above premises until the buyer has paid the purchase price in full. Interest on this transaction is recognised by the Company at a 2.5% rate. There are no contingent rental payments.

	Receivable lease payments	Present value of receivable lease payments	Receivable interest income	Receivable lease payments	Present value of receivable lease payments	Receivable interest income
	31 December 2016	31 December 2016	31 December 2016	31 December 2015	31 December 2015	31 December 2015
	EUR	EUR	EUR	EUR	EUR	EUR
Below 1 year	9 000	8 358	642	9 000	8 154	846
Period of 2-5 years	18 000	17 347	653	27 000	25 704	1 296
Total	**27 000**	**25 705**	**1 295**	**36 000**	**33 858**	**2 142**

(20) Other assets

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Prepaid expenses	29 040	2 796	120
Overpaid value added tax	19 979	16 497	2 425
Accrued income	2 459	7 036	-
Security money paid for a real estate property	-	-	309 500
Prepayments for services	-	-	7 333
Total	**51 478**	**26 329**	**319 378**

Notes to the financial statements

(21) Cash

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Balances on bank accounts: current account balances*	6 544 927	6 503 861	716 873
	6 544 927	**6 503 861**	**716 873**

* Cash is held on accounts with ABLV Bank, AS, a related party to the Group and the Company.

(22) Equity

As at 31 December 2015 share capital amounted to EUR 1 500 000 and consisted of 1 500 000 shares with nominal value of EUR 1. All shares are fully paid.
On 8 February 2016, the share capital was increased by EUR 1 500 000 representing 1 500 000 shares.
On 13 April 2016, the share capital was increased to EUR 5 000 000 consisting of 5 000 000 shares.
On 16 December 2016, the share capital was increased to EUR 15 000 000 representing 15 000 000 shares with nominal value of EUR 1. All shares are fully paid.

As at 31 December 2016 and 2015, the Company had the following shareholders:

	Group		NHC		NHC	
	31.12.2016		31.12.2016		31.12.2015	
	%	EUR	%	EUR	%	EUR
ABLV, AS	88	13 200 000	88	13 200 000		
PREMIUM FINANCE GROUP, SIA	8	1 200 000	8	1 200 000	-	-
Cassandra Holding Company, SIA	4	600 000	4	600 000	-	-
Pillar Holding Company, KS	-	-	-		91,5993	1 373 989
LIELIE RĪTABUĻĻI, SIA	-	-	-	-	8,4007	126 011
Total:	**100**	**15 000 000**	**100**	**15 000 000**	**100**	**1 500 000**

In 2014, share capital reserve was increased by EUR 1 as a result of recalculation of share capital from LVL to EUR and in 2014 equity reserve was increased by EUR 100 659 resulting from difference in fair value on initial recognition of a loan from a related party, since the loan was provided interest free. In 2015, the Company repaid the interest free loan received from related party before its maturity. The difference between amortised cost and payment made on repayment was treated as a decrease in equity reserves. In 2016, the Company assessed its reserves and identified that it would no longer require any reserves in the future and consequently transferred EUR 40 813 to retained earnings brought forward from previous years

The Board suggests that losses of the Group for 2016 amounting to EUR 145 479 be partly covered by retained earnings brought forward from previous periods which amount to EUR 72 701 as at 31 December 2015.
In the reporting period, the Group has positive **equity** of EUR **14 968 035**, which indicates the Group is able to continue as a going concern.

Notes to the financial statements

(23) Loans

Long term		Effective interest rate (%)	Maturity date	31.12.2016
Loan from ABLV Bank, AS*	EUR	6 m EURIBOR + 1.5	17.02.2021	457 160
Loan from ABLV Bank, AS**	EUR	6 m EURIBOR + 1.5	15.06.2021	3 102 000
Loan from ABLV Bank, AS**	EUR	6 m EURIBOR + 1.5	15.05.2021	1 068 305
Total loans from banks				**4 627 465**

Short term		Effective interest rate (%)	Maturity date	31.12.2016
Loan from ABLV Bank, AS*	EUR	6 m EURIBOR + 1.5	Within one year	21 584
Loan from ABLV Bank, AS**	EUR	6 m EURIBOR + 1.5	Within one year	-
Loan from ABLV Bank, AS**	EUR	6 m EURIBOR + 1.5	Within one year	91 514
Total loans from banks				**113 098**

*The loan was received by the Company on 18 April 2016 from ABLV Bank, AS to invest in share capitals of the subsidiaries of Pillar Investment Group, AS. The loan is secured with a collateral – real estate at Elizabetes iela 21A - room 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.

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.

On 15 April 2016 from the then parent company Pillar Holding Company, KS, the Company received a loan by way of a credit line. The total amount of the loan was EUR 6 117 000.00. The interest rate was 4% p.a. The loan was repaid on 31 October 2016.

(24) Other liabilities

	Group 01.01.2016 31.12.2016 EUR	NHC 01.01.2016 31.12.2016 EUR	NHC 01.01.2015 31.12.2015 EUR
Security deposits received from tenants	122 235	14 200	14 200
Total	**122 235**	**14 200**	**14 200**

Notes to the financial statements

(25) 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. These financial assets and financial liabilities are not measured at fair value for accounting purposes.

31 December 2016	Group		NHC	
	Carrying amount	Fair value Level 3	Carrying amount	Fair value Level 3
Assets	EUR	EUR	EUR	EUR
Loans to related companies (long-term)	-	-	587 000	587 000
Loans to related companies (short-term)	-	-	5 061 000	5 061 000
Finance leases (long term)	17 347	17 236	17 347	17 236
Finance leases (short term)	8 358	8 743	8 358	8 743
Total	**25 705**	**25 979**	**5 673 705**	**5 673 979**

	Group		NHC	
	Carrying amount	Fair value Level 3	Carrying amount	Fair value Level 3
Liabilities	EUR	EUR	EUR	EUR
Loans from credit institutions (long term)	4 627 465	4 627 465	457 160	457 160
Loans from credit institutions (short term)	113 098	113 098	21 584	21 584
Other liabilities (long term)	122 235	122 235	14 200	14 200
Total	**4 862 798**	**4 862 798**	**492 944**	**492 944**

31 December 2015	NHC	
Assets	Carrying amount EUR	Fair value Level 3 EUR
Other loans (long term)	25 704	25 595
Other loans (short term)	8 154	8 084
Total	**33 858**	**33 679**

Notes to the financial statements

The table 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)	-	2016: The Company issued four 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 loan 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.
Other loans (long term), Other loans (short term)	Discounted cash flow method	2016: The loan was issued on 22 December 2014. According to the agreement, the last payment is to be made on 30 November 2019. Consequently the discounting period is 5 years. Interest on this transaction is recognised by the Company at a 2.50% rate. Had the Company issued this loan in 2016, it would have applied a 2.94% rate. (Interest rate on loans issued to local companies in EUR as at 31.12.2016 according to publicly available data of the Bank of Latvia). Accordingly, the fair value of EUR 25 979 as at 31.12.2016 is derived applying a discount rate of 2.94%. 2015: Interest on this transaction is recognised by the Company at a 2.5% rate. Had the Company issued this loan in 2015, it would have applied a 2.7% rate. (Interest rate on loans issued to local companies in EUR as at 31.12.2015 according to publicly available data of the Bank of Latvia). Accordingly, the fair value of EUR 33 679 as at 31.12.2016 is derived applying a discount rate of 2.7%.
Loans from credit institutions (long term) Loans from credit institutions (short term)	-	2016: 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 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 2016 and 2015 the Company does not have long-term liabilities, except for security deposits, therefore it is considered that the carrying amount does not differ significantly from the fair value. Security deposits could be withdrawn by customers under certain circumstances, therefore, their fair value is assessed as close to the carrying amount.

Notes to the financial statements

(b) Credit risk

The maximum credit risk connected with financial assets is reflected in their carrying amounts.

Financial assets exposed to credit risk by geographic region at reporting dates are as follows:

	Group 31.12.2016 EUR	NHC 31.12.2016 EUR	NHC 31.12.2015 EUR
Trade receivables from related parties	-	760	504
Security money paid for a real estate property	-	-	309 500
Loans to related companies	-	5 061 000	-
Loans	25 705	25 705	33 858
Trade receivables	95 195	-	-
Total	**120 900**	**5 087 465**	**343 862**

As at 31 December 2016 and 31 December 2015, payments for the above financial assets are not overdue and no impairment allowances are recognised. Trade receivables have been secured by security deposits or bank guarantee. As at 31 December 2016 and 31 December 2015 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:

Group

31 December 2016	Carrying amount	Contractual cash flows	3 months or less	3 - 12 Months	1-5 years	Non-fixed term
Non-derived financial liabilities	EUR	EUR	EUR	EUR	EUR	EUR
Loans from credit institutions	4 740 563	5 107 330	45 117	148 126	4 914 087	-
Other liabilities	122 235	122 235		-	-	122 235
Trade accounts payable	25 481	25 481	25 481	-	-	-
Total	**4 888 279**	**5 255 046**	**70 598**	**148 126**	**4 914 087**	**122 235**

NHC

31 December 2016	Carrying amount	Contractual cash flows	3 months or less	3 - 12 Months	1-5 years	Non-fixed term
Non-derived financial liabilities	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**

Group / NHC

31 December 2015	Carrying amount	Contractual cash flows	3 months or less	3 - 12 Months	1-5 years	Non-fixed term
Non-derived financial liabilities	EUR	EUR	EUR	EUR	EUR	EUR
Guarantee period security	176 526	176 526	-	-	-	176 526
Other liabilities	14 200	14 200	-	-	-	14 200
Trade accounts payable	2 961	2 961	2 961	-	-	-
Total	**193 687**	**193 687**	**2 961**	**-**	**-**	**190 726**

Notes to the financial statements

(d) Interest rate risk

As at the reporting date, the Group / Company has loans from ABLV Bank, AS.
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 15 February 2017, the date of recalculation the loan schedule, the 6m EURIBOR is 0.241. 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 1.5%, which is the rate already applied to current interest expenses on loans.

The both loan agreements with NHC 1 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 0.3% 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 15 February 2017, the date of recalculation the loan schedule, the 6m EURIBOR is 0.241. 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.

(26) 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. During 2015 the Group consisted of a single entity and its performance was not analysed by operating segments.

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	31.12.2016	31.12.2015
	EUR	EUR
NHC	15 580 037	1 818 613
NHC1	6 335 092	-
NHC3	6 295 008	-
Other	38 163	-
Eliminated intra-group transactions	(8 272 158)	
Total	**19 976 142**	**1 818 613**

Liabilities	31.12.2016	31.12.2015
	EUR	EUR
NHC	594 687	205 099
NHC1	4 955 523	-
NHC3	5 100 059	-
Other	13 634	-
Eliminated intra-group transactions	(5 655 796)	
Total	**5 008 107**	**205 099**

Notes to the financial statements

Statement of Profit and Loss	NHC	NHC1	NHC3	Other	Eliminated upon consoli-dation	Total
Net sales (external)	76 831	394 925	43 232	-	-	514 988
Net sales (internal)	12 743	-	-	-	(12 743)	-
Operating expenses	(44 376)	(184 118)	(85 879)	(8 578)	-	(322 951)
Gross profit	**45 198**	**210 807**	**(42 647)**	**(8 578)**	**(12 743)**	**192 037**
Selling expenses	(11 445)	-	-	-	-	(11 445)
Administrative expenses	(295 915)	(16 804)	(12 871)	(9 412)	12 743	(322 259)
Other operating income	55 000	-	20 093	-	-	75 093
Other operating expenses	(55 501)	(2 232)	-	-	-	(57 733)
Other interest and similar income	169 997	-	-	-	(169 141)	856
to related parties	169 141	-	-	-	(169 141)	-
to other companies	856	-	-	-	-	856
Interest and similar expenses	(57 930)	(126 475)	(74 985)	(211)	169 141	(90 460)
to related parties	(57 930)	(126 475)	(74 985)	(211)	169 141	(90 460)
(Loss) / profit before tax	**(150 596)**	**65 296**	**(110 410)**	**(18 201)**		**(213 911)**
Deferred tax	22 432	96 728	5 359	2 730	(58 817)	68 432
(Loss) / profit of the reporting year	**(128 164)**	**162 024**	**(105 051)**	**(15 471)**	**(58 817)**	**(145 479)**

Percentage of clients by segment

The Group had revenue from 2 clients that exceeded 10% of total revenue. The total amount of this revenue during the reporting year was EUR 450 689. In 2015, revenue from 1 client exceeded 10% of total revenue. The total amount of this revenue during the reporting year was EUR 582 784.

(27) Related party transactions

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

On 15 April 2016 the Company received a loan from Pillar Holding Company, KS by way of a credit line. The loan amounted to EUR 2 800 000 and was fully repaid on 3 August 2016.
On 1 September 2016, a loan of EUR 3 317 000 was drawn down and repaid on 31 October 2016. The loan carries a fixed annual interest rate of 4% applicable to the utilized part of the loan. During 2016, EUR 52 704 were paid as interest on loans.
Pillar Holding Company, KS was the parent company of New Hanza Capital until 16 December 2016. At the reporting date, the Company had no liabilities towards Pillar Holding Company, KS.

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. The members of the boards of subsidiaries did not receive separate remuneration

Notes to the financial statements

for their work on the board, but salary expenses disclosed in note 12 is compensation paid to members of the board. During year 2015 the Company received management services from related company in amount of EUR 302. No remuneration was determined for board members.

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 2016 and 31 December 2015 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.

The most significant transactions and amounts are the following:

			Group
Related party	**Description of transaction**	**2016 EUR**	**2015 EUR**
ABLV Bank, AS	Loan	4 740 563	-
	Deferred expenses	2 714	-
	Due to related parties	29	-
	Accrued liabilities	25 916	-
	Services received	38 860	2 782
	Interest expenses	37 756	-
Parties related to shareholders	Acquisition of a subsidiary	229 686	-
	Due to related parties	1 850	504
	Accrued liabilities	11 910	-
	Services received	52 812	10 312
	Interest expenses	52 704	-
	Sale of real estate	-	582 784
Related party transactions in NHC group	Loan	5 648 000	-
	Due from related parties	760	-
	Accrued income	7 036	-
	Investment in share capital	2 616 362	-
	Interest income	169 141	-
	Services received	12 743	-

Notes to the financial statements

		NHC	
Related party	**Description of transaction**	**2016 EUR**	**2015 EUR**
ABLV Bank, AS	Loan	478 744	-
	Deferred expenses	2 714	-
	Due to related parties	29	-
	Accrued liabilities	22 293	-
	Services received	30 945	2 782
	Interest expenses	5 226	-
Parties related to shareholders	Acquisition of a subsidiary	229 686	-
	Accrued liabilities	7 038	-
	Due to related parties	978	504
	Interest expenses	52 704	-
	Services received	35 338	10 312
	Sale of real estate	-	582 784
Related party transactions in NHC group	Loan	5 648 000	-
	Due from related parties	760	-
	Accrued income	7 036	-
	Investment in share capital	2 616 362	-
	Interest income	169 141	-
	Services received	12 743	-

(28) Subsequent Events

On 3 January 2017 the Company signed a loan agreement with Cassandra Holding Company, SIA for EUR 3 000 000. The loan carries a fixed interest rate of 5%. The loan agreement expires on 30 June 2017. As at the date of these financial statements the loan was not utilized.

On 3 January 2017 the Company signed a loan agreement with OF Holding, SIA for EUR 3 000 000. The loan carries a fixed interest rate of 5%. The loan agreement expires on 30 June 2017. As at the date of these financial statements the loan was not utilized.

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.

On 23 February 2017, the Council of the Company approved the increase in share capital to EUR 18 000 000, and this decision was approved by the shareholders on 1 March 2017. The payments for share capital was received on 12 April 2017.

On 3 March 2017, a loan agreement was signed between NHC 3, SIA as the borrower and Swedbank, AS as the lender to refinance the loan of EUR 4 000 000 provided under the loan agreement of 26 August 2016 signed between the Company as the lender and NHC 3, SIA as the borrower. The loan agreement expires on 3 March 2020. The base rate is 3 month EURIBOR but not lower than 0 and an added rate of 2.5%.

Ernests Bernis	Andris Kovaļčuks
Chairman of the Council	*Chairman of the Board*
25 April 2017	

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Independent Auditors' Report

To the shareholders of New Hanza Capital, AS

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of New Hanza Capital, AS (previously Pillar Investment Group, AS and Pillar Investment Group, SIA, further "the Company") and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 6 to 38 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2016,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group, respectively, as at 31 December 2016, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Reporting on Other Information

The Company's and Group's management is responsible for the other information. The other information comprises the Group Management Report, as set out on page 5 of the accompanying separate and consolidated Annual Report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated Annual Report, and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

KPMG Baltics SIA
Licence No. 55

Vilāns

Rainers Vilāns
Director pp KPMG Baltics SIA
Latvian Certified Auditor
Certificate No. 200
Riga, Latvia
25 April 2017

The report is an English translation of the original Latvian. In the events of discrepancies between the two reports, the Latvian version prevails.