



New Hanza Capital, AS

Group and Company Annual Report
for the year ended 31 December 2018

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Disclaimer

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

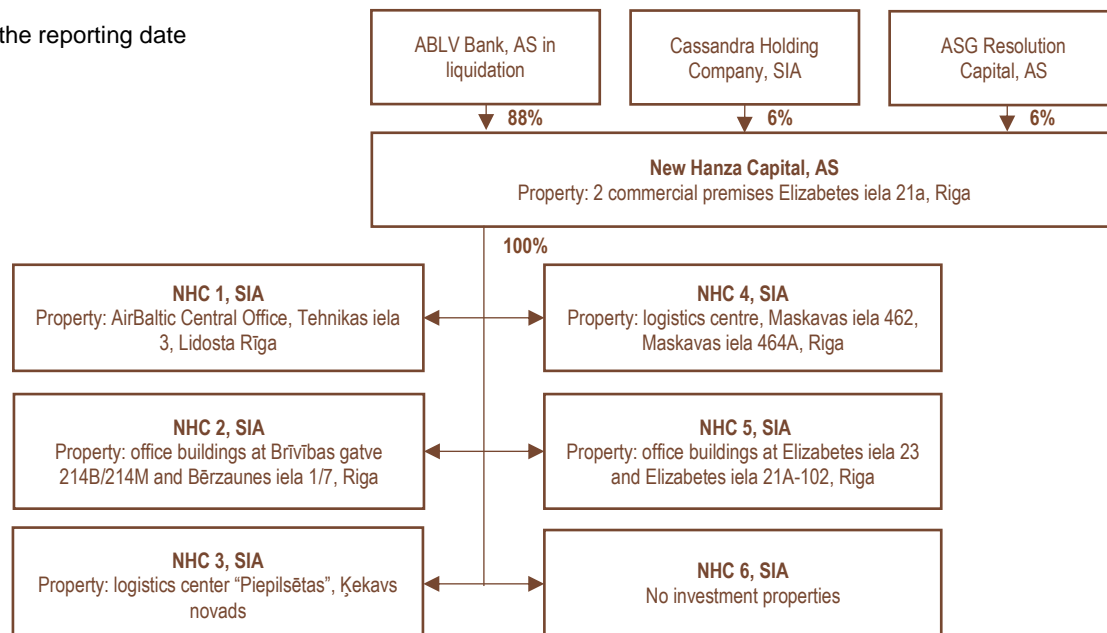
General information

Name of the Company	New Hanza Capital, AS
Legal status of the company	Joint Stock Company
Registration No, place and date	50003831571, Riga, 6 June 2006
Legal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
Postal address	Pulkveža Brieža iela 28A, Riga, LV-1045, Latvia
NACE code, Type of primary activity	68.20 Renting and operating of own or leased real estate 70.10 Activities of head offices
Members of the Board and their positions	<p><u>From 20 March 2018</u> Edgars Mīļūns, Chairman of the Board Aija Hermāne-Sabule, Member of the Board Arnolds Romeiko, Member of the Board</p> <p><u>From 7 March 2018 till 19 March 2018</u> Aija Hermāne-Sabule, Chairman of the Board Arnolds Romeiko, Member of the Board</p> <p><u>From 1 March 2018 to 6 March 2018</u> Arnolds Romeiko, Member of the Board</p> <p><u>From 4 August 2016 to 28 February 2018</u> Andris Kovalčuks, Chairman of the Board Arnolds Romeiko, Member of the Board</p>
Members of the Council and their positions	<p><u>From 19 March 2018</u> Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council</p> <p><u>From 13 February 2018 till 18 March 2018</u> Ernests Bernis, Chairman of the Council Edgars Mīļūns, Deputy Chairperson of the Council Edgars Pavlovičs, Member of the Council Māris Kannenieks, Member of the Council</p> <p><u>From 4 august 2016 to 12 February 2018</u> Ernests Bernis, Chairman of the Council Ieva Valtere, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council</p>

Reporting period

1 January 2018 – 31 December 2018

Group structure at the reporting date



Group Management Report

New Hanza Capital, AS, (hereinafter – the Company or NHC) is a company founded in 2006. The Company has been investing in commercial properties since 2015. New Hanza Capital, AS and its subsidiaries (hereinafter – the Group) focus on acquiring cash generating commercial properties with future income potential. The business objective of the Company is to invest funds in commercial properties, sustainably increase rental income and promote long-term property value and capital growth.

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

Group key financial and property performance indicators

The Group result for the reporting period amounts to a EUR 1 666 714 thousand profit after tax. The Company closed the financial year 2018 with a post-tax profit of EUR 4 979 731. The Group profit for the reporting period is in line with management expectations. The Company profit was primarily generated by dividend income received from subsidiaries. Since the Group subsidiaries operating objectives are in line with the Company and the nature of their activities in the reporting period did not differ materially from that of the Company the Group management focusses on analyzing only the consolidated results of the Group.

Group profit and cash flow indicators	Unit	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Income	EUR	3,841,838	1,643,524	452,295
Adjusted EBITDA	EUR	1,556,469	326,858	(67,039)
Profit before tax	EUR	1,667,174	8,115,882	(156,643)
Net income	EUR	1,666,714	7,937,528	(96,801)
Cash flows from operating activities	EUR	(11,158,056)	481,330	40,419
Group balance sheet indicators	Unit	31.12.2018	31.12.2017	Change %
Gross asset value (GAV)	EUR	56,079,789	52,362,834	20,024,820
Liabilities	EUR	21,458,834	19,408,593	5,008,107
Net asset value (NAV)	EUR	34,620,955	32,954,241	15,016,713
Group financial ratios	Unit	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Adjusted EBITDA margin	%	40.24%	19.89%	-14.82%
Net profit margin	%	43.38%	482.96%	-21.40%
Equity ratio	%	62.31%	66.27%	76.13%
Return on equity	%	4.93%	33.09%	-1.16%
Return on assets	%	3.07%	21.93%	-0.89%
Total liquidity ratio	%	6.63	9.04	22.74
Investment property indicators of the Group	Unit	31.12.2018	31.12.2017	31.12.2016
Number of investment properties	pcs.	9	8	4
Market value of investment properties	EUR	39,108,000	35,453,395	13,143,000
Rentable area	m2	72,992	69,768	19,808
Annual contractual rent fee	EUR	2,890,062	2,875,981	856,367
Return on investment properties at market value	%	7.4	8.1%	6.4%
WALE	years	2.3	3.5	5.2
Weighted average rent rate	EUR/m2 p.m.	4.3	4.2	5.2
Occupancy	% of rentable area	77%	85%	70%

Explanation of indicators and ratios

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

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

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

Equity ratio = (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period) * 100%

Return on equity (ROE) = net income (in a 12 month period) / (1/2 * value of equity at the beginning of the 12 month period + 1/2 * value of equity at the end of the 12 month period) * 100%

Return on assets (ROA) = net income (in a 12 month period) / (1/2 * value of assets at the beginning of the 12 month period + 1/2 * value of assets at the end of the 12 month period) * 100%

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

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

WALE = area (m2) weighted average unexpired lease term at the given date

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

Occupancy = occupied area (m2) of the investment properties at the given date expressed as a percentage of the total property leasable area

Key events in 2018

February

On 20 February 2018, Group company NHC 4, SIA obtained a loan of EUR 3 000 000 from SEB Banka, AS. The loan matures on 7 February 2023.

On 22 February 2018, the Company received a payment of EUR 12 221 254 from ABLV Bank, AS in liquidation bond redemption and final bond coupon payment. The funds were used to cover the Company's loan from ABLV Bank, AS in liquidation of EUR 453 526. Additionally, the Company placed a deposit with ABLV Bank, AS in liquidation for EUR 6 000 000. The Company cancelled this deposit on 28 March 2018.

On 28 February 2018 the Company signed an agreement on the sale of shares of the associated company SG Capital Partners AIFP, SIA. The transaction value is EUR 15 000.

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

April

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

May

On 10 May 2018 the Company has acquired a 0.28% participation in New Hanza Centre, SIA (reg. No. 40203037667), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. New Hanza Centre, SIA primary activity is renting and operating of own or leased real estate. The Company participation in New Hanza Centre, SIA aims to provide capital for technical design completion of the offices on M. Tāla iela 3, Rīga and earn dividends upon project completion.

On 16 May 2018 the Company has acquired a 0.25% participation in Pillar Development, SIA (reg. No. 40103222826), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. Pillar Development, SIA primary activity is renting and operating of own or leased real estate. The Company participation in Pillar Development, SIA will facilitate reconstruction completion of the historical Riga cargo station Hanzas Perons and will allow the Company to earn dividends from its investment upon project completion.

June

On 28 June 2018 the Group registered a decrease in the share capital of Group companies NHC 1, SIA and NHC 3, SIA in the Register of Enterprises. NHC 1, SIA share capital was reduced to EUR 500 000. NHC 3, SIA share capital was reduced to EUR 700 000. Taking into account future development plans, the Company optimized subsidiary share capital in order to ensure that share capital amounts reflect subsidiary long-term capital needs.

On 15 June 2018 New Hanza Capital, AS subsidiary NHC 2, SIA acquired an additional office building in the territory of the former State Electrotechnical Factory (VEF) at Bērzaunes iela 7 for EUR 1 900 000. This acquisition bears a strategic importance to the Group development plans in the VEF territory, as well as increases the value of Group previous investments in the neighbourhood. The Bērzaunes iela 7 office building total leasable area amounts to 3 200 square meters. At the acquisition date there were 18 tenants in the building. The largest tenant is "Sky Dream Clinic", a dentistry and aesthetic medicine centre. NHC 2, SIA took over the existing lease agreements, and recognized Bērzaunes 7 office building acquisition in the company books on 23 July 2018.

December

On 27 December 2018 the Group registered an increase in the share capital of Group companies NHC 2, SIA and NHC 6, SIA in the Register of Enterprises. NHC 2, SIA share capital was increased to EUR 3 000 000, NHC 6, SIA share capital was increased to EUR 20 000.

Group investment property overview

Property	Net leasable area, m2	Property market value 31.12.2018, EUR	Direct property yield	Net initial yield	Acquisition year
Small retail spaces					
Elizabetes 21A, Riga	below 500 m2	689,000	11.36%	11.07%	IVQ 2012
Office spaces					
AirBaltic HQ, Tehnikas iela 3, Lidosta Rīga	above 5 000 m2	6,920,000	7.52%	6.78%	IQ 2016
VEF - Brīvības gatve 214B/214M and Bērzaunes iela 1/7, Riga	above 25 000 m2	13,181,000	5.09%	4.29%	IIIQ 2017 – IIIQ 2018
Warehouse spaces					
"Piepilsētas", Kekavas nov.	above 10 000 m2	7,560,000	9.39%	7.77%	IVQ 2016
Maskavas iela 462 / 464A, Riga	above 25 000 m2	10,758,000	12.84%	6.94%	IVQ 2017

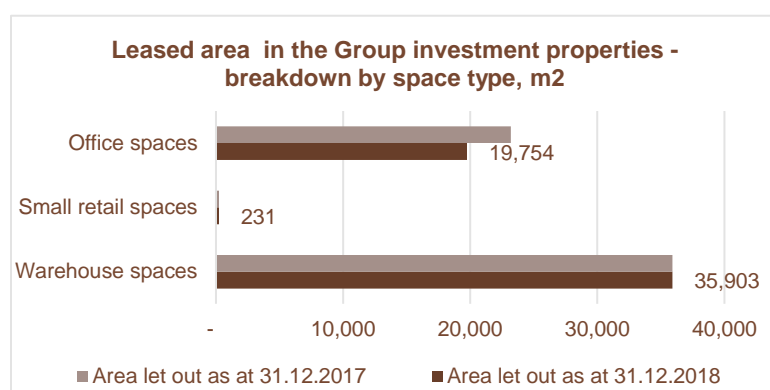
Indicator and ratio details:

Property value = property fair value as at 31.12.2018

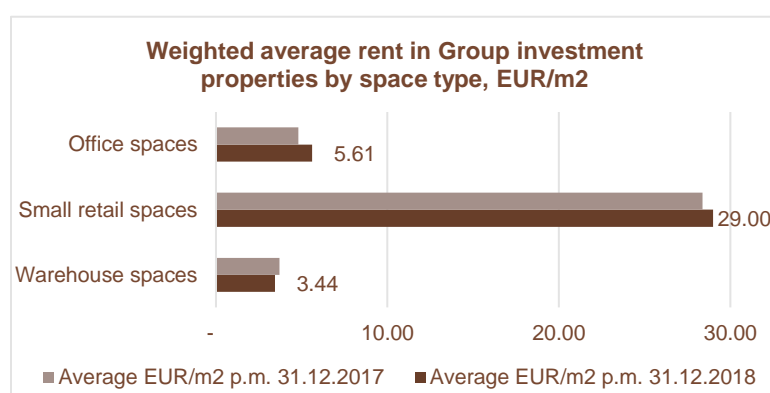
Direct property yield = net operating income (NOI) / (property acquisition value + accumulated capitalized expenses)

Net initial yield = Net Operating Income (NOI) / property market value

Investment property operating indicators



During the reporting period the Group expanded its investment property portfolio with the acquisition of Bērzaunes iela 7 office building in the VEF territory. As a result the total net leasable area in the Group investment properties exceeded 70 thousand square meters at the end of the reporting period. The Group took over the existing lease agreements, and recognized Bērzaunes 7 office building acquisition in the company books on 23 July 2018. The Bērzaunes iela 7 office building total leasable area amounts to 3 200 square meters. At the acquisition date there were 18 tenants in the building. The largest tenant was "Sky Dream Clinic", a dentistry and aesthetic medicine center.



In spite of the increase in the total leasable area in the Group office segment resulting from the Bērzaunes iela 7 office acquisition there was a 15% decrease in the total leased office area during the reporting period. This change stems from the active property management works in the VEF territory offices, including rent increases to market level, as well as tenant payment discipline evaluation. The Group acquired the aforementioned office buildings in the 3rd quarter 2017. Tenant mix optimization, as well as planned rent indexation also lead to a 17% increase in the average monthly rent per square meter in the Group office spaces during the reporting period.

Top 5 tenants in the Group investment properties by leased area:

Tenant	Rented area (m2), 31.12.2018
LATAKKO, SIA	25,926
Air Baltic Corporation, AS	6,217
Mikrofiks, SIA	4,355
FORANS, SIA	2,829
DLW Latvija, SIA	2,742
Total	42,068

Group financial performance

Group profit and loss statement

	01.01.2018 – 31.12.2018	01.01.2017 – 31.12.2017	Change, %
Income	3,841,838	1,643,524	
Operating expenses	(1,714,275)	(680,378)	
Gross profit	2,127,563	963,146	120.90%
Administrative expenses	(462,552)	(526,227)	
Other operating income	67,475	-	
Other operating expenses	(176,017)	(110,061)	
Adjusted EBITDA**	1,556,469	326,858	376.19%
Investment property revaluation	702,417	8,060,646	
Depreciation and amortization	(10,436)	(6,184)	
Other interest and similar income	77,743	1,295	
Interest and similar expenses	(725,165)	(266,733)	
Income from a partial loss of contributions to subsidiary share capital	66,146	-	
Profit / (loss) before taxes	1,667,174	8,115,882	-79.46%
Taxes	(460)	(178,354)	
Profit / (loss) of the reporting period	1,666,714	7,937,528	

* The Group financial statement profit and loss includes depreciation and amortization in Group operating expenses

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

The growth in Group revenue and gross profit during the reporting period resulted from Group investment property portfolio expansion. Starting from the 1 January 2018 the Group is getting revenue from the logistics centre on Maskavas iela 462/464A. The Group has further expanded its revenue generating capabilities with the acquisition of the office building on Bērzaunes iela 7. The decrease in Group profit during the financial year 2018 compared to the previous reporting period is mainly associated with the investment property revaluation result. During the financial year 2018 investment property revaluation result was also positive.

Group financial position

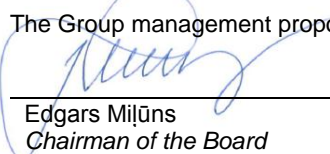
	31.12.2018	31.12.2017	Change, %
Investment property	39,108,000	35,453,395	
Other long term assets	663,607	81,268	
Current assets	16,308,182	16,828,171	
Gross asset value (GAV)	56,079,789	52,362,834	7.10%
Loans - long term portion	9,956,521	8,046,159	
Bonds - long term portion	8,956,052	9,414,004	
Other long term liabilities	86,854	86,854	
Short term liabilities	2,459,407	1,861,577	
Net asset value (NAV)	34,620,955	32,954,241	5.06%

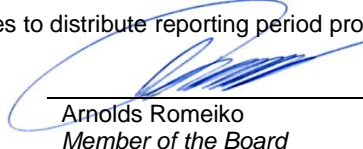
The 7.10% growth in Group Gross Asset Value (GAV) has primarily resulted from the Group investment property portfolio expansion with Bērzaunes iela 7 office building acquisition, as well as capital expenditures within the existing development project scope. The aforementioned capital expenditures lead to a positive investment property revaluation result, as well as to a creation of a new investment property under development. Growth in Group other long term assets resulted from Group strategic investments in real estate development and management company share capital – Pillar Development, SIA, New Hanza Centre, SIA and NHC 5, SIA. The Group participation in New Hanza Centre, SIA aims to provide capital for technical design completion of the offices on M. Tāla iela 3, Riga and earn dividends upon project completion. The Group participation in Pillar Development, SIA will facilitate reconstruction completion of the historical Riga cargo station Hanzas Perons and will allow the Company to earn dividends from its investment upon project completion.

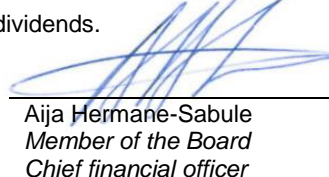
Statement of Corporate Governance is available on the Company homepage www.nh.capital.

Group management proposition on profit distribution or loss coverage.

The Group management proposes to distribute reporting period profits in dividends.


Edgars Miļuns
Chairman of the Board


Arnolds Romeiko
Member of the Board


Aija Hermāne-Sabule
Member of the Board
Chief financial officer

27 February 2019

Statement of the Management's responsibility

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

The annual financial statements and the notes thereto set out on pages 9 through 41 are prepared in accordance with the source documents and present truly and fairly the financial position of the Company and the Group as at 31 December 2018 and 31 December 2017, and the results of their operations, changes in the share capital and reserves and cash flows for the twelve months of 2018 and the twelve months of 2017. Group management report presents truly an overview of Group and Company operating results.

The aforementioned annual condensed financial statements are prepared on a going concern basis in conformity with International Accounting Standards as adopted by the European Union. The Company management has been prudent and reasonable in its judgments and estimates in preparation of these annual financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud and other irregularities in the Group.



Edgars Miļūns
Chairman of the Board



Arnolds Romeiko
Member of the Board



Aija Hermāne-Sabule
*Member of the Board
Chief financial officer*

27 February 2019

Group and Company Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for year ended 31 December 2018

	Notes	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Income	10	3,841,838	1,643,524	1,062,611	197,640
Operating expenses	11	(1,724,711)	(686,562)	(216,298)	(240,320)
Gross profit		2,117,127	956,962	846,313	(42,680)
Administrative expenses	12	(462,552)	(526,227)	(333,027)	(424,787)
Other operating income		67,475	-	54,905	-
Other operating expenses		(176,017)	(110,061)	(76,079)	(73,070)
Other interest and similar income		77,743	1,295	927,501	314,011
Interest and similar expenses	13	(725,165)	(266,733)	(488,969)	(110,559)
Investment property revaluation		702,417	8,060,646	(59,000)	-
Dividend income from subsidiaries		-	-	4,108,120	-
Income from a partial loss of contributions to subsidiary share capital		66,146	-	-	-
Profit / (loss) before taxes		1,667,174	8,115,882	4,979,764	(337,085)
Corporate income tax for the reporting period		(460)	(71,107)	(33)	-
Deferred tax		-	(107,247)	-	(11,020)
Profit / (loss) of the reporting period		1,666,714	7,937,528	4,979,731	(348,105)
Total amount of comprehensive income		1,666,714	7,937,528	4,979,731	(348,105)

The accompanying notes on pages 13 to 41 form an integral part of these financial statements.



Edgars Mijūns
Chairman of the Board



Arnolds Romeiko
Member of the Board



Aija Hermāne-Sabule
Member of the Board
Chief financial officer

27 February 2019

Statements of Financial Position as at 31 December 2018

	Notes	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Assets					
Non-current assets					
Intangible assets		2,981	3,742	2,981	3,742
Property and equipment		59,132	56,258	59,132	56,258
Investment property	14	39,108,000	35,453,395	689,000	748,000
Investment property under construction		279,146	-	-	-
Investments in subsidiaries	15	-	-	5,320,000	5,696,362
Investment in associated companies	16	-	14,293	-	7,500
Investment in other companies	17	306,000	-	306,000	-
Financial assets at fair value through profit and loss		16,348	6,975	-	-
Loans to related parties	18	-	-	-	7,734,000
Total non-current assets		39,771,607	35,534,663	6,377,113	14,245,862
Current assets					
Trade receivables	24b	67,853	144,517	1,888	6
Due from related parties	24b	-	128	555,164	158,867
Loans to related parties	18	-	-	18,442,000	4,774,000
Other assets	19	12,451,688	280,611	12,132,205	59,589
Financial assets at fair value through profit and loss		-	12,183,736	-	12,183,736
Cash and cash equivalents	20	3,788,641	4,219,179	2,267,229	4,032,651
Total current assets		16,308,182	16,828,171	33,398,486	21,208,849
Total assets		56,079,789	52,362,834	39,775,599	35,454,711
Liabilities					
Equity					
Share capital	21	25,000,000	25,000,000	25,000,000	25,000,000
Retained earnings/ accumulated (loss) of previous periods		7,954,241	16,713	(362,755)	(14,650)
Profit / (loss) of the reporting period		1,666,714	7,937,528	4,979,731	(348,105)
Total equity		34,620,955	32,954,241	29,616,976	24,637,245
Long-term liabilities					
Loans	22	9,956,521	8,046,159	-	435,238
Bonds	22	8,956,052	9,414,004	8,956,052	9,414,004
Other liabilities	23	86,854	86,854	-	-
Total long-term liabilities		18,999,427	17,547,017	8,956,052	9,849,242
Short-term liabilities					
Loans	22	580,251	393,023	-	22,238
Bonds	22	1,145,372	689,440	1,145,372	689,440
Amounts due to suppliers	24c	315,005	58,610	12,593	23
Payables to related companies	26	-	228,948	-	87,800
Other taxes		18,364	72,138	391	-
Other liabilities	23	338,408	224,657	14,365	14,200
Accrued liabilities		62,007	194,761	29,850	154,523
Total short-term liabilities		2,459,407	1,861,577	1,202,571	968,224
Total liabilities		21,458,834	19,408,594	10,158,623	10,817,466
Total liabilities and equity		56,079,789	52,362,834	39,775,599	35,454,711

The accompanying notes on pages 13 to 41 form an integral part of these financial statements.


Edgars Miļuns
Chairman of the Board


Arnolds Romeiko
Member of the Board


Aija Hermane-Sabule
Member of the Board
Chief financial officer

27 February 2019

Statements of Cash Flows for the year ended 31 December 2018

Notes	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Cash flows from operating activities				
(Loss) / profit of the reporting period before tax	1,667,174	8,115,882	4,979,764	(337,085)
Adjustments for:				
Depreciation of fixed assets	10,436	6,184	10,436	6,184
Fixed asset disposal costs	9,405	-	9,405	-
Interest income	(77,743)	(1,295)	(927,501)	(314,011)
Interest expenses	725,165	266,733	488,969	110,559
Dividend income	-	-	(4,108,120)	-
Income from investments in associates	6,793	(6,793)	376,362	-
Changes in the value of long-term and short-term financial assets	(9,373)	(4,736)	-	(4,736)
(Gain) / loss on revaluation of investment property	(702,417)	(8,060,646)	59,000	-
Profit before changes in working capital	1,629,440	315,329	888,315	(539,089)
Financial leases repaid	-	25,705	-	25,705
(Increase)/ decrease in trade receivables	(12,049,973)	(228,290)	(11,870,499)	(117,291)
Increase/ (decrease) in payables	(474,434)	523,021	(687,360)	141,265
Interest received	33,432	1,295	327,205	239,929
Interest expenses	(225,130)	(155,730)	(989)	(7,131)
Corporate income tax paid	(71,390)	-	-	-
Cash flows from/ (used in) operating activities	(11,158,056)	481,330	(11,343,328)	(256,612)
Cash flows from investing activities				
Acquisition of investment property	(3,231,334)	(14,249,749)	-	-
Purchase of property, plant and equipment	(38,483)	(66,184)	(38,483)	(66,184)
Sale of property, plant and equipment	16,529	-	16,529	-
Acquisition of shares in related companies/ net cash paid	(306,000)	(7,500)	(306,000)	(3,087,500)
Sale of shares in associated companies/ net cash received	7,500	-	7,500	-
Dividends received	-	-	4,108,120	-
Loans issued	-	-	(5,934,000)	(16,739,000)
Loans repaid	-	-	-	9,879,000
Investments in financial assets	12,183,736	(12,179,000)	12,183,736	(12,179,000)
Net cash flows generated from/ (used in) investing activities	8,631,948	(26,502,433)	10,037,402	(22,192,684)
Cash flows from financing activities				
Income from equity investments	-	10,000,000	-	10,000,000
Loans received	22 3,000,000	14,000,000	-	10,000,000
Loans repaid	22 (904,430)	(304,645)	(459,496)	(21,914)
Net cash flows from financing activities	2,095,570	23,695,355	(459,496)	19,978,086
Increase/(decrease) in net cash during the reporting period	(430,538)	(2,325,748)	(1,765,422)	(2,471,210)
Cash at the beginning of the reporting period	4,219,179	6,544,927	4,032,651	6,503,861
Cash at the end of the reporting period	3,788,641	4,219,179	2,267,229	4,032,651

The accompanying notes on pages 13 to 41 form an integral part of these financial statements.



Edgars Mīlūns
Chairman of the Board



Arnolds Romeiko
Member of the Board



Aija Hermāne-Sabule
Member of the Board
Chief financial officer

27 February 2019

Group Statement of Changes to the Shareholders Equity for the year ended 31 December 2018

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total share capital
At 1 January 2017		15,000,000	-	16,713	-	15,016,713
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	7,937,528	7,937,528
Share issue		10,000,000	-	-	-	10,000,000
At 31 December 2017	21	25,000,000	-	16,713	7,937,528	32,954,241
At 1 January 2018		25,000,000	-	7,954,241	-	32,954,241
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	1,666,714	1,666,714
At 31 December 2018	21	25,000,000	-	7,954,241	1,666,714	34,620,955

Company Statement of Changes to the Shareholders Equity for the year ended 31 December 2018

	Notes	Paid-in share capital	Reserves	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total share capital
At 1 January 2017		15,000,000	-	(14,650)	-	14,985,350
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	(348,105)	(348,105)
Share issue		10,000,000	-	-	-	10,000,000
At 30 September 2017	21	25,000,000	-	(14,650)	(348,105)	24,637,245
At 1 January 2018		25,000,000	-	(362,755)	-	24,637,245
Total comprehensive income						
Total comprehensive income for the reporting period		-	-	-	4,979,731	4,979,731
At 30 September 2018	21	25,000,000	-	(362,755)	4,979,731	29,616,976

The accompanying notes on pages 13 to 41 form an integral part of these financial statements.



Edgars Milūns
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Chief financial officer

27 February 2019

Notes to the financial statements

1. The reporting entity and the group

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

The Group consolidated and the Company separate financial statements for the year ended 31 December 2018 present the financial information of the Company and its subsidiaries (the Group). In line with applicable requirements, these consolidated financial statements for the year ended 31 December 2018 include the Company's separate financial statements. The Company is the Group parent company.

The Group consists of the following companies:

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

NHC 1, SIA was registered in the Latvian Enterprise Register on 9 September 2009. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. NHC 1, SIA line of business is renting and operating of own or leased real estate. The Company holds 100% of NHC 1, SIA share capital. NHC 1, SIA owns an office building at Tehnikas iela 3, Riga International Airport in Mārupe district, which is leased out to Air Baltic Corporation, AS.

NHC 2, SIA was registered in the Latvian Enterprise Register on 25 January 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. NHC 2, SIA line of business is renting and operating of own or leased real estate. The Company holds 100% of share capital of NHC 2, SIA and it is included in the Group. NHC 2, SIA owns office buildings in Riga, in the territory of the former State Electrotechnical Factory (VEF), Brīvības gatve 214B, Brīvības gatve 214M, Bērzaunes iela 1 and Bērzaunes iela 7. The aforementioned office premises are rented out under short term and long term lease agreements.

NHC 3, SIA was registered in the Latvian Enterprise Register on 20 May 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. NHC 3, SIA line of business is renting and operating of own or leased real estate. 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 *Piepilšētas*, Krustkalni, Ķekavas pagasts, Ķekavas novads. The complex is rented out on a long-term basis.

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

NHC 5, SIA was registered in the Latvian Enterprise Register on 15 November 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. NHC 5, SIA line of business is renting and operating of own or leased real estate. The Company held 100% of share capital of NHC 5, SIA until 9 April 2018 and it was included in the Group until that date. During the period 9 April 2018 to 11 February 2019 NHC 5, SIA was not in the Group. For further information refer to the note to financial statements – 27. Subsequent events.

NHC 6, SIA was registered with the Enterprise Register of Latvia on 15 November 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. NHC 6, SIA line of business is renting and operating of own or leased real estate. The Company holds 100% of share capital of NHC 6, SIA and this company is included in the Group. During the reporting period NHC 6, SIA did not own any real estate.

2. Accounting principles

These Group consolidated and Company separate 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 27 February 2019, and has to be approved by the Company shareholders. The Company's shareholders have the right to reject the financial statements prepared and handed in by the Board, and request the preparation of new financial statements.

Group and Company financial statement comparable figures for the financial year 2017 are classified according to the financial year 2018 principles, and are fully comparable.

These financial statements cover the 12 months from 1 January 2018 to 31 December 2018.

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

3. Estimates and judgments

The preparation of financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key judgments and estimates are:

a) Valuation of investment property

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

Investment property under development, where completely new buildings are under construction, and where the fair value of such investment property is not reliably measurable but the management expects the fair value of such property to be reliably measurable once construction is complete, is measured at cost according to IAS 40 §53 until either its fair value becomes reliably measurable or construction is completed. Investment property under development, where existing buildings are undergoing reconstruction, is measured at fair value.

b) Business combination vs acquisition of assets

The Group acquires investment property with effective rent agreements. In order to establish whether the acquired investment property qualifies as a business, the Group carries out a legal agreement review in accordance with the criteria laid down in IFRS 3 Business Combinations before acquisition.

The management determined that investment properties acquired during the reporting do not qualify as businesses as these properties had been acquired with rent agreements but without any agreements that involve processes such as real estate management.

c) Recognition of investment property

The Group recognizes Investment property after the title to the property has been registered in the Land Register or acceptance and transfer of the property certificate has been approved.

d) Determining fair value of financial instruments

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

4. Consolidation

These consolidated financial statements include New Hanza Capital, AS and all subsidiaries and associated companies controlled by New Hanza Capital, AS (the Group parent company). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Detailed information on Company subsidiaries is disclosed in Note 15 and Note 25.

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

Associates are companies over which the Group has significant influence, however, there is no control over their financial and business policies. In the Group/Company financial statements interests in associates are recognized using the equity method. Information on the associated companies is included in Note 16.

Loss of control of a subsidiary

In case the Group parent company loses control of a subsidiary, it:

- stops recognizing associate asset (including intangible assets) and liability carrying amounts at the date of loss of control over a subsidiary;
- stops recognizing the investment in associate over which it lost control in its carrying amount at the date of loss of a control over a subsidiary (incl. income not reflected in the profit and loss statement);
- recognizes payments and other compensation received in exchange for the loss of control over the subsidiary;
- recognizes remaining investments in an associate over which it lost control at fair value at the date of loss of control over the subsidiary.

5. Basis of measurement

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

6. Significant accounting policies

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

a) Foreign currencies

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

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

b) Financial instruments

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

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

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

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

Financial instruments

(i) Initial recognition

Financial assets are initially recognized at amortized cost, fair value through other comprehensive income or fair value through profit and loss. Initial recognition is dependent on:

- financial asset management business model and
- the contractual terms of the financial asset.

Excluding trade receivables – financial assets that do not carry a materially significant financing component, financial assets are initially recognized at fair value through profit and loss. In case where directly attributable transaction costs are added, financial assets are recognized as financial assets through other comprehensive income.

(ii) Subsequent measurement

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit or loss (FVTPL).

Amortized cost is applied in case where the following requirements are met:

- a) financial asset is held with the purpose of collecting the respective financial asset contractual cash flows;
- b) financial asset contractual cash flows arise from principal payments and interest payments on principal remaining.

Financial assets are measured at FVTOCI given the following conditions are met:

- a) financial asset is held with the purpose of collecting the respective financial asset contractual cash flows as well as for sale potentially resulting in profit;
- b) financial asset contractual cash flows arise from principal payments and interest payments on principal remaining.

Financial assets are measured at FVTPL in all other cases. In specific cases where financial assets would be measured at FVTPL the Group management can make an irreversible decision at initial recognition to recognize the specific financial assets through FVTOCI and subsequently recognize changes in fair value in other comprehensive income.

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

(iii) De-recognition

A financial asset is derecognized when

- the contractual rights to the cash flows from the financial asset expire, or
- when the Company transfers substantially all of the risks and rewards of ownership of the financial asset.

Risks and rewards of ownership of financial assets are considered to be transferred once

- contractual rights to receive cash flows from the respective financial assets has been transferred, or
- contractual rights to receive cash flows from the respective financial assets has been retained but an obligation to transfer these cash flows to other parties arose.

(iv) Impairment allowances

The Group/Company recognizes losses on impairment allowances from expected credit losses on financial assets measured at amortized cost or at FVTOCI. The goal of this model is to recognize impairment allowances for all exposures from the time a financial asset is originated, based on the deterioration of credit risk since initial recognition. A conclusion on changes in credit risk has to take into account fair and evidence based information, including information on possible future events.

In case the credit risk of a financial instrument has significantly increased since its initial recognition, the Group / Company recognizes losses on impairment allowances that is equal to the lifetime expected losses on the respective financial asset. If the credit risk has not increased significantly, the standard requires allowances based on 12 month expected losses.

For trade receivables the Group / Company estimates impairment allowances that are equal to the lifetime of expected losses on the respective financial asset:

- a) for trade receivables recognized and measured according to IFRS 15 and that:
 - i. do not contain a significant financing component (or the agreement is shorter than 12 months);
 - ii. contain a significant financing component according to IFRS 15 but the Group / Company accounting policy states that impairment allowances will be equal to the lifetime expected credit losses on the respective financial assets.
- b) for amounts due from lessees that are recognized and measured according to IFRS 17 if the Group / Company accounting policy states that impairment allowances will be equal to the lifetime expected credit losses on the respective financial assets.

Financial liabilities

(i) Initial recognition

The Group / Company initially recognizes financial liabilities at fair value. In case where financial liabilities are not recognized at FVTPL the Group / Company also takes into account the directly attributable transaction costs.

(ii) Subsequent measurement

The Group / Company subsequently measures financial liabilities at amortized cost, unless the respective financial liabilities have been initially recognized at FVTPL. Financial assets recognized at FVTPL, including non-derivative instruments, are subsequently measured at fair value.

(iii) De-recognition

The Group / Company de-recognizes financial liabilities only once it has fulfilled all of the obligations arising from the respective financial liabilities.

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 realize the asset and settle the liability simultaneously.

c) Investment property

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

Cost includes expenses that are directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labor 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 de-recognized 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 recognized 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) Intangible assets

Separately acquired intangible assets are initially recognized in the amount of intangible asset acquisition cost. Asset acquisition cost amounts to its purchase price, including non-refundable transaction taxes paid by the buyer, net discounts and rebates, including other directly attributable transaction costs.

Separately acquired intangible assets are subsequently measured at initial recognized acquisition cost, net amortization and accumulated revaluation results. Amortization is recognized on a linear basis given the intangible asset useful life.

Profit or loss, arising from intangible asset de-recognition, amounts to the difference between the intangible asset disposal income and carrying amount, and is recognized in the profit and loss statement at the date of disposal.

e) Fixed assets

Fixed assets are initially recognized at cost, net accumulated depreciation and revaluation results. Asset cost is equal to the acquisition price and directly attributable transaction costs.

The Group / Company measures expenses associated with fixed asset purchase at the purchase date. Acquisition costs include expenses associated with asset purchase or creation, partial replacement or maintenance, including professional services.

Expenses associated with fixed asset creation listed above are capitalized to the fixed asset value until the fixed asset is completed and transferred to use. Further expenses, associated with fixed asset use or further transfer are not capitalized to asset value. Fixed asset value does not include regular maintenance expenses. These expenses are recognized in comprehensive income statements at the occurrence date.

Depreciation is calculated on a straight line basis taking into account fixed asset useful life with the purpose to depreciate the asset to its estimated residual value at the end of the fixed asset useful life (disposal value).

Fixed asset disposal value, useful life and depreciation methodology is reviewed by the Group management at the end of every financial year, and in case new estimated differ from the previous estimates, changes are reflected in the profit and loss statements as results of accounting policy changes.

Net profit or loss arising from fixed asset de-recognition equals to the difference between net disposal income and fixed asset carrying amount.

f) Inventories

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

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

Real estate is transferred between the above categories once a change in its use occurs.

g) Non-financial asset impairment

Asset impairment tests are carried out at the end of every financial year. In case the management has identified signs of a decrease in asset value, asset recoverable amount is estimated. The recoverable amount of an asset is the greater of its 'fair value less costs to sell' and its 'value in use'. Recoverable amount is estimated for each asset separately, unless asset and their cash flows are interdependent. In cases where carrying amount exceeds the recoverable amount, asset carrying amount is decreased to amount to the estimated recoverable amount.

Value in use (VIU) is the present value of the future cash flows expected to be derived from an asset. Present value is estimated using a discount rate before taxes that reflects the market rate for the specific cash flows. When determining the value less costs to sell publicly available market data and valuation coefficients are used.

Losses from asset impairment are recognized through profit and loss as non-financial asset impairment. The Group management performs asset impairment tests at the end of each financial year. Previous period impairment reversal cannot exceed the amount that would lead to carrying value that is greater than carrying value given no impairment net accumulated depreciation. Losses from impairment cannot be reversed in the next periods.

h) Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost according to IAS 27 Consolidated and Separate Financial Statements. After initial recognition investments in subsidiaries are measured at initially recognized cost net losses from the decrease in value. The Group management tests for decrease in value at the end of every financial year. The decrease in value amounts to the difference between net recoverable investment amount and the carrying amount. Losses are recognized through the profit and loss statement. Dividend received from subsidiaries are recognized in the period in which the right to receive dividends arose.

i) Leases

i) Leased assets

Finance lease

If the Company leases assets where all risks and rewards incidental with such asset ownership are transferred to the lessee, the agreement is classified as a finance lease and the resulting liabilities are reflected as a net investment in lease and disclosed under amounts due from clients.

Operating lease

If the Company leases assets where all risks and rewards incidental to such asset ownership are not transferred to the lessee, the agreement is classified as an operating lease. Assets of the Group/ Company leased under operating lease are classified in the statement of financial position of the Group / Company as investment property.

ii) Lease payments received

Finance lease

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

Operating lease

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

The Group companies have concluded numerous short term and long term lease agreements with tenants in subsidiary investment properties. Detailed information on rent agreement length, rent levels and occupancy is available in the management report of these financial statements. Deposits and bank guarantees received from tenants do not exceed 2 months rent in most cases. The Group / Company issues invoices for services rendered on the 15th date of the next month after rendering services.

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

i) Revenues

Revenues from contracts with customers are recognized once the Group / Company has transferred the control over goods or services to the client in the amount the Group / Company expects to receive from the client. Depending on the criteria met, revenue is recognized:

- a) over time in the Group / Company financial statements; or
- b) once the control over goods / services has been transferred to the client.

i) Income from disposal of real estate property

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

ii) Rental income

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

j) 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.

k) Corporate income tax

(a) Current tax

Current year

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

(k) Deferred tax

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

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

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

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

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

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

l) 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.

m) Loans

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

n) Employee benefits

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

o) Related parties

Related party is a company or person that is related to the Company or the Group preparing its financial statements (IAS 24 Related party disclosures).

Related parties are:

1. Person or the person family member is related to the entity preparing financial statements if:
 - This person controls or shares control over the entity preparing financial reports; or
 - The person has significant control over entity preparing financial statements; or
 - The person is chairman of the board in the group parent company.
2. The company is a related party to the entity preparing financial statements if:
 - The company is part of the group of the entity preparing financial reports (i.e. every parent and subsidiary are related parties to each other);
 - One company is an associate or a joint venture of the other company (or associate or joint venture of the other group company) ;
 - Companies share shareholders;
 - One company is a joint venture of a third company, the other company is an associate to the third company;
 - One company is part of the benefit plan to employees of entity preparing financial statements; if the entity preparing financial statements itself is the benefit plan to another entity, it is related party to this entity;
 - The companies are controlled by a person described in the first point;
 - Person described in the first point has significant control over the entity preparing financial statements or its parent company or is the chairman of the board;
 - The company or any group company provides personnel management services to the entity preparing financial statements.

p) Subsequent events

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

7. Fair value measurement

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

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

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

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

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

Level 3: inputs for the asset or liability that are based on unobservable market data (unobservable inputs).

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

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

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

- Income approach;
- Market approach.

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

a) Investment property

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

Investment property under development, where completely new property are under construction, and where the fair value of such investment property is not reliably measurable using the discounted cash flow approach with a terminal value component at the end of the cash forecast period, the income approach and/or the market approach but where the management expects the fair value of such property to be reliably measurable once construction is complete, is measured at cost according to IAS 40 §53. As soon as either such property fair value becomes reliably measurable or construction is completed, the respective property is measured at fair value following the procedure used for other Group/Company investment properties described in paragraphs above. Investment property under development, where an existing property are undergoing reconstruction, is measured at fair value following the procedure used for other Group/Company investment properties described in paragraphs above.

b) Financial assets

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

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

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

c) Financial liabilities

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

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

8. Financial risk and capital management

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

- 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 financial risk and capital management principles. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

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

The Group/Company's risk management policies are established to identify and 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 purchased financial assets and receivables.

The Group / Company evaluates trade receivables and makes allowances for bad debt at the end of each month according to the internally approved policy "*Darbs ar problemātiskiem New Hanza Capital, AS un tās meitas sabiedrību juridisko un fizisko personu parādiem*". Allowances for bad debt are recognized in the amount that is equal to the lifetime expected credit losses on the respective trade 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 trade receivables that are secured by security deposits or bank guarantees (the standard security deposit is equal to the rent fee for two months).

The Group / Company does not have significant credit exposures in relation to a single counterparty or a group of counterparties with similar characteristics. Regardless of the fact that the recoverability of finance lease and other receivables may be impacted by economic factors management believes that the Group/Company is not exposed to a significant risk of loss.

Liquidity risk

Liquidity risk is the risk that the Group / Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group/Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group/Company's reputation. Financial liability maturity analysis is available in the notes to these financial statements: 24c. Liquidity risk.

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.

Currency risk

The Group and Company operate using EUR only. As a result, currency risk is not considered to apply.

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.

9. Changes in accounting policies

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

Reclassification of previously reported amounts

In its financial statements for the year that ended 31 December 2017 the Group reported financial assets – shares of a publicly listed company – as *Other assets*. In 2018 the Group management decided to reclassify these financial assets to be reported in the long term portion of *Financial assets held at fair value through profit and loss (FVTPL)*. Reclassification is summarized in the table below:

	Adjusted 31.12.2017 EUR	Reclassification 31.12.2017 EUR	31.12.2017 EUR
Statement of financial position			
Other assets			
Publicly traded unrelated company shares	-	(6,975)	6,975
Financial assets at FVTPL			
Publicly traded unrelated company shares	6,975	6,975	-

Application of the new and amended standards adopted by the EU

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 2018.

The following guidance effective from 1 January 2018 did not have material impact on these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial instruments;
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);
- Transfers of Investment Property (Amendments to IAS 40);
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Clarifications to IFRS 15 Revenue from Contracts with Customers.

Standards, amendments and interpretations, that are published and adopted by the EU but not yet applied by the Group / Company

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, 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 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 recognize 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 some impact on the Group's/ Company's financial statements, since it will require the Group/ Company to recognize on their statement of financial position assets and liabilities relating to operating leases for which the Company acts as a lessee.

Transition to IFRS 16

The Group / Company chose to use a modified retrospective approach in transition to IFRS 16.

The Group / Company chose to use exceptions to leases that are short term, and leases of value that is not material.

The management has preliminarily estimated that there will be no material impact on the Group / Company financial statements that would result from transition to IFRS 16.

NHC 1, SIA is a lessee under a land lease agreement with VAS Starptautiskā lidosta "Rīga" where it leases land under the office complex and parking lot leased to Air Baltic Corporation, AS. NHC 1, SIA land lease agreements are part of NHC 1, SIA investment property. Hence, the ROU arising from these lease agreements is recognized and measured in Group and NHC 1, SIA financial statements at fair value. As a result, IFRS 16 will not impact Group/ NHC1, SIA assets, the aforementioned lease agreements will be measured in accordance with IFRS 40. According to the estimates made by the Group's/Company's management IFRS 16 will impact lease assets on the balance sheet by approximately EUR 320 thousand and an adjustment to the profit of the previous reporting period of EUR 320 thousand would be required.

(ii) IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The Group / Company management has not yet estimated the potential impact of this interpretation on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

(iii) Amendments to IFRS 1 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Effective for annual periods beginning on or after 1 January 2019; earlier application is permitted.

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both.

The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The Group / Company management has not yet estimated the potential impact of these amendments on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

(iv) Amendments to IFRS 9: Prepayment features with negative compensation.

Effective for annual periods beginning on or after 1 January 2019; earlier application is permitted.

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at FVTOCI.

The Group / Company management has not yet estimated the potential impact of these amendments on its financial statements, but it does not expect that the amendments, when initially applied, will have material impact on the financial statements.

Standards, amendments and interpretations that are published but not yet adopted by the EU

(i) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. Effective for annual periods beginning after 1 January 2019 with earlier application permitted.

(ii) Annual Improvements to IFRSs 2015 – 2017 Cycle

Annual Improvements to IFRSs 2015 – 2017 Cycle published December 2017, including IFRS amendments and amendments to two IAS standards applicable to information disclosure, recognition and measurement: amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs are effective for annual periods beginning after 1 January 2019 with earlier application permitted.

(iii) Amendments to References to Conceptual Framework in IFRS Standards

Amendments to References to Conceptual Framework in IFRS Standards published on 29 March 2018 are effective for annual periods beginning after 1 January 2019 or later.

(iv) Amendments to IFRS 3: Business Combinations

Amendments to IFRS 3: Business Combinations published on 22 October 2018 are effective for annual periods beginning after 1 January 2019 or later.

(v) Amendments to IAS 1 and IAS 8 regarding the definition of materiality

Amendments to IAS 1 and IAS 8 regarding the definition of materiality published on 31 October 2018 are effective for annual periods beginning after 1 January 2019 or later.

10. Revenue

	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Income from lease and management of premises	3,747,090	1,597,606	52,130	78,200
Income resulting from the decrease of associate share capital*	-	-	723,638	-
Other revenue	94,748	45,918	286,843	119,440
Total	3,841,838	1,643,524	1,062,611	197,640

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

*During the reporting period the Company recognized income resulting from the decrease of NHC 1, SIA share capital.

11. Operating expenses

	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Maintenance of buildings	841,740	278,387	-	3,096
Other operating expenses	566,440	95,649	16,372	8,045
Transaction due diligence expenses	166,734	176,256	50,129	92,909
Personnel expenses**	149,797	136,270	149,797	136,270
Total	1,724,711	686,562	216,298	240,320

**Personnel expenses are expenses associated with the Company employee compensation during the financial year 2017 and 2018. The Company subsidiaries did not employ any employees during the reporting period.

12. Administrative expenses

	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Personnel expenses**	203,115	268,834	203,115	268,834
Professional services***	183,661	225,246	71,137	130,190
Other administrative expenses	75,776	32,147	58,775	25,763
Total	462,552	526,227	333,027	424,787

**Personnel expenses are expenses associated with the Company employee compensation during the financial year 2017 and 2018. During the financial year 2018 the Company employed on average 7 employees, during the financial year 2017 – 4 employees on average. The Company subsidiaries did not employ any employees during the reporting period.

*** Professional services include expenses associated with the annual Group and Company financial statement audit expenses in the amount of EUR 8,500 (2017: EUR 11,830).

13. Interest and similar expenses

	Group 01.01.2018 - 31.12.2018 EUR	Group 01.01.2017 - 31.12.2017 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Coupon payments for issued bonds	487,980	103,444	487,980	103,444
Interest expenses on loans	237,185	163,289	989	7,115
Total	725,165	266,733	488,969	110,559

14. Investment property

Group	Investment property EUR
At 31 December 2016	13,143,000
Acquisition	14,249,749
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	8,060,646
At 31 December 2017	35,453,395
Acquisition	2,952,188
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	702,417
At 31 December 2018	39,108,000

NHC	Investment property EUR
At 31 December 2016	748,000
At 31 December 2017	748,000
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	(59,000)
At 31 December 2018	689,000

Operating lease revenues under non-cancellable lease agreements in Group properties 31.12.2018

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	1,984,065	2,850,747	1,757,862

31.12.2017

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	1,675,066	2,030,541	2,203,702

Operating lease revenues under non-cancellable lease agreements in NHC properties 31.12.2018

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	20,060	-	-

31.12.2017

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	19,630	-	-

The fair value measurement for investment property at Elizabetes iela 21A of EUR 689 000 is based on a valuation by an external appraiser. The real estate property owned by the Company is 100% rented out.

The fair value of the administrative building at Tehnikas iela 3, Lidosta Rīga, owned by the Group company NHC 1, SIA, as well as NHC 1, SIA right of use associated with the land rent agreement at Tehnikas iela 3, Lidosta Rīga is EUR 6 920 000. The real estate property owned by the NHC 1, SIA is 100% rented out.

The fair value of NHC 2, SIA owned office buildings in Riga, the territory of the former VEF is estimated to be EUR 13 181 000. Office buildings are rented out under long term and short term rent agreements. At the end of the reporting period VEF office building occupancy amounted to 44%.

The fair value of the office and warehouse complex Piepilsētas, Krustkalni, Ķekavas pagasts, Ķekavas novads owned by the Group company NHC 3, SIA is EUR 7 560 000. The real estate property owned by the NHC 3, SIA is 93% rented out.

The fair value of the warehouse complex owned by the Group company NHC 4, SIA located in Riga, Maskavas iela 462 and Maskavas iela 464A is EUR 10 758 000. Additionally, NHC 4, SIA has a separate investment property under development at the same address measured at cost in the amount of EUR 279 146. The development property will be measured at cost until it is possible to estimate its fair value. The existing warehouse complex is rented out to one tenant, whereas the modern building lettable area amounts to a total of 27 874.9 m².

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

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

Investment property	Valuation method	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Investment property of EUR 470 000 (in 2017: EUR 529 000) located in Riga, Elizabetes ielā 21A, No. 103, Total area: 154.9 m ²	In 2018 and 2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Monthly rental income – 31.33 EUR/m ² for the first year, 20.00 EUR/m ² for further periods (in 2017: 30 EUR/m ²) (based on the effective lease agreement for the first period, appraiser estimate for further periods) Annual growth in income – 2% (in 2017: 0%) (based on the effective lease agreement) Discount rate in the cash flow forecast period – 7.3% (in 2017: 8.8%) Cash flow forecast period – 5 years (in 2017: years) Capitalization rate – 7% (in 2017: 7.5%)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount rate / rate was lower (higher); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
	In 2018. un 2017: Market approach: The market 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 3 059.	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).
		The same weighting of 50% is applied to both approaches, the Discounted Cash Flow Approach and the Market Approach.	
Investment property of EUR 219 000 (in 2017: EUR 219 000) located in Riga, Elizabetes ielā 21A, No. 101 Total area: 75.7 m ²	In 2018 un 2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Monthly rental income – 24.22 EUR/m ² for the first period, 19 EUR/m ² for further periods (2017: 23.2 EUR/m ²) (based on the effective lease agreement for the first period, appraiser estimate for further periods) Annual growth in income – 2% (In 2017: 0%) (based on the effective lease agreement) Discount rate in the cash flow forecast period – 7.3% (In 2017: 8.8%) Cash flow forecast period – 5 years (In 2017: 5 years) Capitalization rate – 7% (in 2017: 7.5%)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount rate / rate was lower (higher); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).
	In 2018. un 2017.: 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 2 961.	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).
		The same weighting of 50% is applied to both approaches, the Discounted Cash Flow Approach and the Market Approach.	
Investment property of EUR 6 920 000 (in 2017: EUR 6 750 000) located in Riga International Airport, Tehnikas ielā 3, Total area: 6 556.4 m ²	In 2018 un 2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Monthly rental income – 6.82 EUR/m ² for office premises and 3.42 EUR/m ² for auxiliary premises (in 2017: 6.56 EUR/m ² and 3.29 EUR/m ²) (based on the effective lease agreement) Annual growth in income – 4% (in 2017: 4%) Discount rate – 7.50% (in 2017: 7.50%) Occupancy rate – 98% (in 2017: 98%) Cash flow forecast period - 8 years (in 2017: 9 years)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - The cash flow forecast period was longer (shorter);

		Capitalization rate – 7.50% (in 2017: 7.50%)	- The estimated sales price at the end of the forecast period was higher (lower).
Investment property of EUR 13 181 000 (in 2017: EUR 10 142 000 without building located in Riga, Bērzaunes iela 7 and Brīvības gatve 214N) located in Riga, Brīvības gatve 214M; Bērzaunes iela 1, Brīvības gatve 214B, Bērzaunes iela 7, Brīvības gatve 214N Total area: 27 391.78 m ²	In 2017 and 2018: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Condition before the reconstruction as at 2018: Rentable area – 19 532 m ² (in 2017: 17 043 m ²) Monthly rental fees – 5.18 EUR/m ² (in 2017: 4.95 EUR/ m ² (based on effective lease agreements and assumed rent fees for vacant premises) Annual growth in income – 2.5% only for building located in Riga, Brīvības gatve 214M (in 2017: 1%) Discount rate – 8.5% (in 2017: 9.25%) Occupancy rate in the first period – 66.35% (in 2017: 95%) Condition after the reconstruction as at 2023: Rentable area – 27 141 m ² (in 2017: 23 264 m ²) Reconstruction estimated time – 3 years (in 2017: 3 years). Average reconstruction expenses – 317 EUR/m ² (2017: 304 EUR/m ²) Monthly rental fees – 5.27 EUR/m ² (2017: 5.24 EUR/ m ²) (based on effective lease agreements and assumed rent fees for vacant premises) Annual growth in income – 2.5% only for building located in Riga, Brīvības gatve 214M (in 2017: 2%) Discount rate – 8.50% (in 2017: 9.25%) Occupancy rate in the fifth period – 85.60% (in 2017: Occupancy rate in the fifth period 85%) Cash flow forecast period – 5 years (2017: 5 years) Capitalization rate – 8.50% (in 2017: 9.75%)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - The reconstruction costs were higher (lower); - The reconstruction period was shorter (longer).
Investment property of EUR 7 560 000 (in 2017: EUR 7 176 395) located in Ķekavas nov., Krustkalni, Piepilsētas Total area: 14 153.50 m ²	In 2018 un 2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Monthly rental fees – 4.44 EUR/ m ² in warehouse premises, 5.40 EUR/ m ² for adjacent office spaces and 4.00 EUR/m ² for vacant office premises (in 2017: 4.39 EUR/m ² for warehouse premises and 5.40 EUR/m ² for office spaces) (based on effective lease agreements and assumed rent fees for vacant premises) Occupancy of warehouse and office spaces - 95% (in 2017: 98%) Occupancy in vacant spaces – 35% (in 2017: 60%) Annual growth in income – 2% (2017: 0%) Discount rate 8.45% (2017: not applicable) Capitalization rate – 8.5% (in 2017: 9.0%) Cash flow forecast period – 4 years (in 2017: 1 year)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount/capitalization rate was lower (higher); - The occupancy assumption was higher (lower); - The cash flow forecast period was longer (shorter); - The estimated sales price at the end of the forecast period was higher (lower).

Investment property of EUR 10 758 000 (in 2017: EUR 10 637 000) located in Riga Maskavas iela 462, 464A, Total area: 27 874.9 m ²	In 2018 un 2017: Discounted cash flow approach with a terminal value component at the end of the cash forecast period: The model is based on the discounted cash flow resulted from provision of lease services	Monthly rental fees – 3.10 EUR/m ² (2017: 3.10 EUR/m ²)(based on effective lease agreements and assumed rent fees for vacant premises) Discount rate – 9.25% (in 2017: 9.5%) Occupancy – 99% (in 2017:97%) Annual growth in income – 3% (2017:2.8%) Cash flow forecast period – 5 years (in 2017: 5 years) Capitalization rate – 8.5% (in 2017:8.5%) As part of the DCF approach, 7.5 ha sale of land containing outdated buildings planned for demolition was assumed. Sales price was based on the market approach, where the present value is calculated by reference to transactions with similar real estate properties. Assumed price for square meter – 16.20 EUR/m ₂ (in 2017: 15.90 EUR/m ²)	The estimated fair value would increase (decrease), if: - The revenue growth rate was higher (lower); - The discount / capitalisation rate was lower (higher); - The occupancy assumption was higher (lower); - Sales price of the land plot of approximately 7.5ha containing buildings to be demolished would be higher (lower).
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15. Investments in subsidiaries

	EUR
Balance as at 31.12.2016	2,616,362
Contributions to other share capital	3,080,000
Balance as at 31.12.2017	5,696,362
Elimination of contributions to other share capital	(10,000)
Decrease in contributions to other share capital	(2,100,000)
Increase in contributions to other share capital	1,733,638
Balance as at 31.12.2018	5,320,000

On 28 June 2018 the Group registered a decrease in the share capital of Group companies NHC 1, SIA and NHC 3, SIA in the Register of Enterprises. NHC 1, SIA share capital was reduced to EUR 500 000. NHC 3, SIA share capital was reduced to EUR 700 000. Taking into account future development plans, the Company optimized subsidiary share capital in order to ensure that share capital amounts reflect subsidiary long-term capital needs. On 27 December 2018 the Group registered an increase in the share capital of Group companies NHC 2, SIA and NHC 6, SIA in the Register of Enterprises. NHC 2, SIA share capital was increased to EUR 3 000 000, NHC 6, SIA share capital was increased to EUR 20 000.

Company name	Number of shares as at 31.12.2018 %	Investment carrying amount as at 31.12.2018 EUR	Subsidiary equity value as at 31.12.2018 EUR	Subsidiary profit / (loss) in the reporting period EUR
NHC 1, SIA	100	500,000	933,337	413,337
NHC 2, SIA	100	3,000,000	3,552,500	155,534
NHC 3, SIA	100	700,000	2,516,435	721,808
NHC 4, SIA	100	1,100,000	3,312,415	212,415
NHC 6, SIA	100	20,000	9,291	(4,751)
Total		5,320,000	10,323,978	1,498,343
Company name	Number of shares as at 31.12.2017 %	Investment carrying amount as at 31.12.2017 EUR	Subsidiary equity value as at 31.12.2017 EUR	Subsidiary profit / (loss) in the reporting period EUR
NHC 1, SIA	100	1,276,362	2,217,878	789,630
NHC 2, SIA	100	2,000,000	3,509,609	1,523,125
NHC 3, SIA	100	1,300,000	2,394,627	1,199,678
NHC 4, SIA	100	1,100,000	5,897,600	4,798,252
NHC 5, SIA	100	10,000	(17,191)	(26,539)
NHC 6, SIA	100	10,000	4,042	(5,306)
Total		5,696,362	14,006,565	8,278,840

16. Investment in associates

	EUR
Balance as at 31.12.2016	-
Contributions to other share capital	7,500
Balance as at 31.12.2017	7,500
Elimination of contributions to other share capital	(7,500)
Balance as at 31.12.2018	-

On 28 February 2018 the Company signed an agreement on the sale of shares of the associated company SG Capital Partners AIFP, SIA. The transaction value is EUR 15 000.

	Percentage of shares as at 31.12.2017 %	Investment carrying amount as at 31.12.2017 EUR	Associate equity as at 31.12.2017 EUR	% of equity 31.12.2017 EUR	Associate profit / (loss) in the reporting period EUR
SG Capital Partners AIFP, SIA	30	7,500	47,642	14,293	29,072
Total		7,500	47,642	14,293	29,072

17. Investments in other company share capital

	Percentage of shares as at 31.12.2018 %	EUR
Balance as at 31.12.2016		-
Balance as at 31.12.2017		-
Investment in New Hanza Centre, SIA	0.28%	100,000
Investment in Pillar Development, SIA	0.25%	100,000
Reclassification of investment in NHC 5, SIA (remaining ownership)	1.29%	106,000
Balance as at 31.12.2018		306,000

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

On 10 May 2018 the Company has acquired a 0.28% participation in New Hanza Centre, SIA (reg. No. 40203037667), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. New Hanza Centre, SIA primary activity is renting and operating of own or leased real estate. The Company participation in New Hanza Centre, SIA aims to provide capital for technical design completion of the offices on M. Tāla iela 3, Riga and earn dividends upon project completion.

On 16 May 2018 the Company has acquired a 0.25% participation in Pillar Development, SIA (reg. No. 40103222826), legal address Pulkveža Brieža iela 28A, Rīga, LV-1045, by acquiring 100 000 shares for EUR 100 000. 1 share nominal value is EUR 1.00. Pillar Development, SIA primary activity is renting and operating of own or leased real estate. The Company participation in Pillar Development, SIA will facilitate reconstruction completion of the historical Riga cargo station Hanzas Perons and will allow the Company to earn dividends from its investment upon project completion.

18. Loans to subsidiaries

	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Long term				
Loans to subsidiaries	-	-	-	7,734,000
NHC 1, SIA	-	-	-	387,000
NHC 2, SIA	-	-	-	6,445,000
NHC 3, SIA	-	-	-	902,000
Short term				
Loans to subsidiaries	-	-	18,442,000	4,774,000
NHC 1, SIA	-	-	2,070,000	-
NHC 2, SIA	-	-	10,323,000	-
NHC 3, SIA	-	-	1,502,000	-
NHC 4, SIA	-	-	4,542,000	4,774,000
NHC 6, SIA	-	-	5,000	-
Total	-	-	18,442,000	12,508,000

Loans to related companies include loans to subsidiaries disclosed as credit lines. The annual interest rate for all loans is defined on an arm's length basis. The loans are not secured.

19. Other assets

	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Cash in ABLV Bank, AS in Liquidation*	12,091,003	-	12,056,904	-
Accrued income	222,273	156,871	18,766	-
Deferred expenses	83,906	84,197	42,130	45,218
Taxes	54,390	39,543	14,289	14,371
Other assets	116	-	116	-
Total	12,451,688	280,611	12,132,205	59,589

* The Board believes that that the funds in ABLV Bank, AS in Liquidation accounts are fully recoverable.

The Group management has performed a reclassification of financial assets reported under *Other assets* in Group and Company financial statements for the year ended 31.12.2017 in the amount of EUR 6,975 to be reported as *Financial Assets at Fair Value through Profit and Loss*.

20. Cash and cash equivalents

	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Balances on bank accounts: ABLV Bank, AS in liquidation *	-	4,160,289	-	4,032,651
Balances on bank accounts: Other	3,788,641	58,890	2,267,229	-
Total	3,788,641	4,219,179	2,267,229	4,032,651

* Reclassified to *Other assets* in financial statements for the year 2018.

21. Share capital

		Group 31.12.2018		Group 31.12.2017		NHC 31.12.2018		NHC 31.12.2017
	%	EUR	%	EUR	%	EUR	%	EUR
ABLV Bank, AS in liquidation	88	22,000,000	88	22,000,000	88	22,000,000	88	22,000,000
PREMIUM FINANCE GROUP, SIA	6	1,500,000	6	1,500,000	6	1,500,000	6	1,500,000
Cassandra Holding Company, SIA	6	1,500,000	6	1,500,000	6	1,500,000	6	1,500,000
Total	100	25,000,000	100	25,000,000	100	25,000,000	100	25,000,000

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

As at 31 December 2018 the share capital amounts to EUR 25 000 000 representing 25 000 000 shares with nominal value of EUR 1. All shares are fully paid.

22. Loans and bonds

	Group 31.12.2018	Group 31.12.2017	NHC 31.12.2018	NHC 31.12.2017
	EUR	EUR	EUR	EUR
Long term loans from credit institutions	9,956,521	8,046,159	-	435,238
Issued debt securities (bonds)	8,956,052	9,414,004	8,956,052	9,414,004
Total long term loans	18,912,573	17,460,163	8,956,052	9,849,242
Short-term part of long-term loans from credit institutions	568,196	381,501	-	21,914
Short term part of issued debt securities (bonds)	1,043,948	585,996	1,043,948	585,996
Accrued interest on long term loans	12,055	11,522	-	324
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	101,424	103,444	101,424	103,444
Total short-term-loans	1,725,623	1,082,463	1,145,372	711,678
Total long and short term loans	20,638,196	18,542,626	10,101,424	10,560,920
Changes in loans	31.12.2018	31.12.2017	31.12.2018	31.12.2017
At the beginning of the reporting period	18,542,626	4,743,827	10,560,920	479,025
Loans received	3,000,000	4,000,000	-	-
Loans repaid	(902,946)	(316,167)	(457,152)	(21,592)
Changes in accrued loan and coupon interest liabilities	(1,484)	114,966	(2,344)	103,487
Debt securities (bonds) issued	-	10,000,000	-	10,000,000
At the end of the reporting period	20,638,196	18,542,626	10,101,424	10,560,920
Loans by category of lender	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Related credit institutions	4,080,588	4,631,329	-	457,476
Other credit institutions	6,456,184	3,807,853	-	-
Debt securities (bonds) issued	10,101,424	10,103,444	10,101,424	10,103,444
Total loans	20,638,196	18,542,626	10,101,424	10,560,920
Loans by maturity	31.12.2018	31.12.2017	31.12.2018	31.12.2017
< 1 year (short term part of long term loans)	1,725,623	1,082,463	8,956,052	711,678
1 – 5 years	18,912,573	17,460,163	1,145,372	9,849,242
> 5 years	-	-	-	-
Total loans	20,638,196	18,542,626	10,101,424	10,560,920

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 20 February 2018, Group company NHC 4, SIA obtained a loan of EUR 3 000 000 from SEB banka. AS. The loan matures on 7 February 2023.

* The bonds were issued in EUR and the total nominal value of the issue was EUR 10 000 000, the nominal value of a bond is EUR 1 000. The annual interest rate is fixed at 4.9% and coupon payments are made twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The issuer may exercise the call option prematurely. On 19 October 2017, the bonds were admitted to the regulated market —the Baltic Bond List of Nasdaq Riga (ISIN LV0000802312).

23. Other liabilities

	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Long term				
Security deposits received from tenants*	86,854	86,854	-	-
Short term				
Security deposits received from tenants*	333,228	224,657	14,200	14,200
Advance payments received	165	-	165	-
Accrued income	5,015	-	-	-
Total	425,262	311,511	14,365	14,200

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

24. Financial instrument fair value and financial risks

24 (A) Fair value

The table represents the carrying amounts and fair values of financial assets and financial liabilities with the relevant level of fair value hierarchy. Financial assets and financial liabilities presented in the table below are not measured at fair value for accounting purposes.

31 December 2018	Fair value level	Group Carrying amount EUR	Group Fair value EUR	NHC Carrying amount EUR	NHC Fair value EUR
Assets					
Loans to related companies (long-term)	3	-	-	-	-
Loans to related companies (short-term)	3	-	-	18,442,000	18,442,000
Total		-	-	18,442,000	18,442,000

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

31 December 2018	Fair value level	Group Carrying amount EUR	Group Fair value EUR	NHC Carrying amount EUR	NHC Fair value EUR
Liabilities					
Issued debt securities, bonds (long term)	3	8,956,052	8,956,052	8,956,052	8,956,052
Issued debt securities, bonds (short term)	3	1,145,372	1,145,372	1,145,372	1,145,372
Loans from credit institutions (long-term)	3	9,956,521	13,735,666	-	-
Loans from credit institutions (short-term)	3	580,251	981,119	-	-
Other liabilities (long term)	3	86,854	86,854	-	-
Other liabilities (short term)	3	338,408	338,408	14,365	14,365
Total		21,063,458	25,243,470	10,115,789	10,115,789

31 December 2017	Fair value level	Group Carrying amount EUR	Group Fair value EUR	NHC Carrying amount EUR	NHC Fair value EUR
Liabilities					
Issued debt securities, bonds (long term)	3	9,414,004	9,414,004	9,414,004	9,414,004
Issued debt securities, bonds (short term)	3	689,440	689,440	689,440	689,440
Loans from credit institutions (long-term)	3	8,046,159	8,065,825	435,238	435,238
Loans from credit institutions (short-term)	3	393,023	401,492	22,238	22,238
Other liabilities (long term)	3	86,854	86,854	-	-
Other liabilities (short term)	3	224,657	224,657	14,200	14,200
Total		18,854,137	18,882,272	10,575,120	10,575,120

Financial assets presented in the table below are measured at fair value through profit and loss (FVTPL) for accounting purposes.

	Fair value level	Group Carrying amount EUR	Group Fair value EUR	NHC Carrying amount EUR	NHC Fair value EUR
Assets as at 31.12.2018					
Financial assets at FVTPL	2	16,348	16,348	-	-
Total		16,348	16,348	-	-
Assets as at 31.12.2017					
		EUR	EUR	EUR	EUR
Financial assets at FVTPL	2	12,190,711	12,190,711	12,183,736	12,183,736
Total		12,190,711	12,190,711	12,183,736	12,183,736

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

Type	Valuation method	Significant unobservable inputs
Loans to related companies (short-term)	-	The Company issued loans to subsidiaries by way of credit lines. The loans carry a fixed annual interest rate applicable to the utilized part of the loan. Interest on the utilized part of the loans is paid for the previous quarter by day 15 of the first month of the following quarter. Loan agreements are initially signed for one year and they can be extended. The Board believes that the interest rate of used for revenue recognition reflects the fair value and therefore the difference between the carrying amount and the fair value is considered to be immaterial.
Bonds (issued)	DCF	The Company issued bonds with a nominal value of EUR 10 000 000. The annual interest rate of the bonds is fixed: 4.9% with coupon payment twice a year. Initial placement price: 100% of the face value. The issue date is 16 October 2017, and the maturity date is 16 October 2022. The Board believes that the interest rate of 4.9% used for revenue recognition reflects the fair value and therefore the difference between the carrying amount and the fair value is considered to be immaterial.
Loans from credit institutions (long term) Loans from credit institutions (short term)	-	The Group has 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 1.8% per year. The loans are secured with mortgages. In fair value calculation an added interest rate of 4.5% was used. The Group has also obtained a loan from Swedbank, AS and a loan from SEB Bank, AS. The loans matures in 2020 and 2023 respectively. The loans carry a base interest rate of 3 month EURIBOR and an added rate of 2.5% and 2.6% per year respectively. The loan is secured with a mortgage. In fair value calculation an added interest rate of 4.5% was used.
Other liabilities	-	As at 31.12.2018 the Company does not have significant long term other liabilities therefore it is considered that the carrying amount does not differ significantly from the fair value.
Trade receivables	-	As of 31.12.2018 the Company does not have long term trade receivables. Therefore it is considered that the carrying amount does not differ significantly from the fair value.
Purchased shares of a publicly traded company	Market participant quote	-

24(B) Credit risk

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

	Group 31.12.2018 EUR	Group 31.12.2017 EUR	NHC 31.12.2018 EUR	NHC 31.12.2017 EUR
Due from related parties	-	-	555,164	158,867
Trade receivables	67,853	144,645	1,888	6
Loans to related parties	-	-	18,442,000	12,508,000
Financial assets at fair value through profit and loss	-	12,183,736	-	12,183,736
Total	67,853	12,328,381	18,999,052	24,850,609

As at 31 December 2017 and 31 December 2018, payments for the above financial assets are not materially overdue. The Group / Company evaluates trade receivables and makes allowances for bad debt at the end of each month according to the internally approved policy "*Darbs ar problemātiskiem New Hanza Capital, AS un tās meitas sabiedrību juridisko un fizisko personu parādiem*". Allowances for bad debt are recognized in the amount that is equal to the lifetime expected credit losses on the respective trade receivables. All trade receivables are secured with either a guarantee deposit or bank guarantees. The Group / Company has not issued financial guarantees.

24(C) Liquidity risk

Non-derivative financial liabilities of the Group as at 31 December 2018	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Non-fixed term EUR
Issued debt securities, bonds	10,101,424	11,960,000	-	490,000	11,470,000	-
Loans from credit institutions	10,536,772	11,083,480	200,621	601,945	10,280,914	-
Other liabilities	425,262	425,262	5,180	-	-	420,082
Trade accounts payable	315,005	315,005	315,005	-	-	-
Total	21,378,463	23,783,747	520,806	1,091,945	21,750,914	420,082
Non-derivative financial liabilities of NHC as at 31 December 2018	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Non-fixed term EUR
Issued debt securities, bonds	10,101,424	11,960,000	-	490,000	11,470,000	-
Other liabilities	14,365	14,365	165	-	-	14,200
Trade accounts payable	12,593	12,593	12,593	-	-	-
Total	10,128,382	11,986,958	12,758	490,000	11,470,000	14,200
Non-derivative financial liabilities of the Group as at 31 December 2018	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Non-fixed term EUR
Issued debt securities, bonds	10,103,444	12,450,000	-	490,000	11,960,000	-
Loans from credit institutions	8,427,660	8,904,451	139,353	417,616	8,347,482	-
Other liabilities	311,511	311,511	-	-	-	311,511
Trade accounts payable	58,610	58,610	58,610	-	-	-
Due to related parties	228,948	228,948	228,948	-	-	-
Total	19,130,173	21,953,520	426,911	907,616	20,307,482	311,511
Non-derivative financial liabilities of NHC as at 31 December 2017	Carrying amount EUR	Contractual cash flows EUR	< 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Non-fixed term EUR
Issued debt securities, bonds	10,103,444	12,450,000	-	490,000	11,960,000	-
Loans from credit institutions	457,152	477,555	7,207	21,620	448,728	-
Other liabilities	14,200	14,200	-	-	-	14,200
Trade accounts payable	23	23	23	-	-	-
Due to related parties	87,800	87,800	87,800	-	-	-
Total	10,662,619	13,029,578	95,030	511,620	12,408,728	14,200

25. Operating segments

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

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

Assets	31.12.2018 EUR	31.12.2017 EUR
NHC	39,775,599	35,454,711
NHC 1, SIA	7,308,842	6,950,207
NHC 2, SIA	14,362,052	10,334,866
NHC 3, SIA	7,702,997	7,297,145
NHC 4, SIA	11,250,067	10,659,790
Other	15,964	33,239
Eliminated intra-group transactions	(24,335,732)	(18,367,124)
Total	56,079,789	52,362,834
Liabilities	31.12.2018 EUR	31.12.2017 EUR
NHC	10,158,623	10,817,466
NHC 1, SIA	6,375,505	4,732,329
NHC 2, SIA	10,809,552	6,825,257
NHC 3, SIA	5,186,562	4,902,518
NHC 4, SIA	7,937,652	4,762,190
Other	6,673	39,595
Eliminated intra-group transactions	(19,015,733)	(12,670,761)
Total	21,458,834	19,408,594

Profit or Loss Statement for the period from 01.01.2018- 31.12.2018

	NHC	NHC 1	NHC 2	NHC 3	NHC 4	Other	Eliminated upon consolidation	Total
Net sales (external)	146,878	498,347	1,306,335	725,034	1,165,244	-	-	3,841,838
Net sales (internal)	915,733	-	-	-	-	-	(915,733)	-
Operating expenses	(216,298)	(23,718)	(868,630)	(142,587)	(436,583)	(36,895)	-	(1,724,711)
Gross profit	846,313	474,629	437,705	582,447	728,661	(36,895)	(915,733)	2,117,127
Administrative expenses	(333,027)	(46,406)	(138,846)	(54,483)	(75,970)	(5,915)	192,095	(462,552)
Other operating income	54,905	-	15,196	2,636	1,531	-	(6,793)	67,475
Other operating expenses	(76,079)	(4,893)	(86,228)	(5,145)	(3,672)	-	-	(176,017)
Other interest received and similar income	927,501	-	-	-	-	-	(849,758)	77,743
Interest paid and similar expenses	(488,969)	(179,943)	(335,572)	(184,743)	(384,850)	(846)	849,758	(725,165)
Investment property revaluation	(59,000)	170,000	263,506	381,146	(53,235)	-	-	702,417
Dividends received from subsidiaries	4,108,120	-	-	-	-	-	(4,108,120)	-
Income from a partial loss of contributions to subsidiary share capital	-	-	-	-	-	-	66,146	66,146
Profit/(loss) before taxes	4,979,764	413,387	155,761	721,858	212,465	(43,656)	(4,772,405)	1,667,174
CIT	(33)	(50)	(227)	(50)	(50)	(50)	-	(460)
(Loss) / profit of the reporting period	4,979,731	413,337	155,534	721,808	212,415	(43,706)	(4,772,405)	1,666,714

Profit or Loss Statement for the period from 01.01.2017- 31.12.2017

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

26. Related party transactions

26 (A) transactions with members of the Board and management

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

26 (B) Other related party transactions

The statement of profit and loss and other comprehensive income and the statement of financial position as at 31 December 2017 and 31 December 2018 discloses transactions and balances with related parties. Transactions between the Group/Company and its related parties are carried out on an arm's length basis and are properly reflected in the Group/Company's transfer pricing methodology. Transactions and amounts are the following:

Group related party	Transaction	2018	2017
ABLV Bank, AS in liquidation	Assets		
	Receivables	12,091,003	-
	Cash and cash equivalents	-	4,160,289
	Debt instruments	-	12,153,424
	Deferred expenses	50,872	64,722
	Equipment	1,704	-
	Due from related parties	1,566	-
	Accrued interest	-	30,312
	Liabilities		
	Loan	4,077,144	4,627,460
	Due to related parties	8,298	-
	Accrued expenses	-	19,025
	Profit and loss statement		
	Services rendered	712	-
	Services received	46,051	63,120
	Low value equipment purchase	148	-
	Interest expenses	72,798	80,789
	Interest income	30,000	4,499
	Expenses on financial instruments	-	36,537
Parties related to shareholders	Assets		
	Construction in progress	451,886	-
	Contributions to share capital	306,000	-
	Due from related parties	1,287	127
	Liabilities		
	Due to related parties	91,066	228,948
	Profit and loss statement		
	Services received	471,301	262,916
	Services rendered	27,325	-
	Interest income	3,432	-

NHC related party	Transaction	2018	2017
ABLV Bank, AS in liquidation	Assets		
	Receivables	12,091,003	-
	Cash and cash equivalents	-	4,032,651
	Deferred expenses	38,892	47,500
	Equipment	1,704	-
	Liabilities		
	Loans	-	457,152
	Debt instruments	-	12,153,424
	Due to suppliers	8,298	-
	Accrued expenses	-	15,480
	Profit and loss statement		
	Services received	36,955	40,242
	Interest expense	989	6,836
	Interest income	30,000	4,499
	Expenses on financial instruments	3,998	-
	Financial instrument revaluation result	-	36,537
Parties related to shareholders	Assets		
	Contributions to share capital	306,000	-
	Due from related parties	1,287	127
	Accrued income	198	-
	Liabilities		
	Due to related parties	3,300	83,777
	Profit and loss statement		
	Services received	55,707	94,488
	Services rendered	27,325	-
	Interest income	3,432	-
Intra NHC Group transactions	Assets		
	Loan	18,442,000	12,508,000
	Due from related parties	555,164	158,739
	Contributions to share capital	5,320,000	5,696,362
	Accrued income	18,568	-
	Liabilities		
	Due to related parties	-	4,023
	Profit and loss statement		
	Interest income	848,938	312,716
	Dividends received	4,108,120	-
	Services received	-	-
	Services rendered	173,527	84,151

27. Subsequent events

Business combinations

On 15 January 2019 the Company signed a purchase agreement with ABLV Bank, AS in Liquidation regarding the purchase of 98.71% of NHC 5, SIA shares for the amount of EUR 8 287 170. The Company owned the remaining 1.29% of NHC 5, SIA shares on the date of the sales agreement signing. This transaction has been registered in the Company Register on 11 February 2019.

NHC 5, SIA line of business is renting and operating of own or leased real estate. NHC 5, SIA has two investment properties in ownership – office building on Elizabetes iela 23 and office spaces on Elizabetes iela 21A-102 with a total area of 4,324.9 square meters and 689.4 square meters respectively. The Company has been acquired with the purpose to increase the Group investment property portfolio, as well as increase the Group rent income.

The table below presents information on the fair value of identified assets and liabilities, purchased net assets, goodwill, purchase price and net cash and cash equivalent flow on the date of NHC 5, SIA acquisition.

	11.02.2019
	EUR
Recognized identified asset and liability value	
Assets	
Investment property	8,094,000
Receivables from related parties	9,884
Other assets	41,466
Cash and cash equivalents	158,203
Total assets	8,303,553
Liabilities	
Trade payables	1,612
Payables to related parties	12,370
Other liabilities	20,947
Total liabilities	34,929
Net assets identified	8,268,624
Goodwill	124,546
Purchase price	8,287,170
Cash and cash equivalents	158,203
Net cash and cash equivalent flow	8,128,967

Goodwill calculated above reflects the return on potential synergies and other benefits associated with NHC 5, SIA asset and operations merger with the Group.

Business combinations

On 15 January 2019 the Company signed a loan agreement with ABLV Bank, AS in Liquidation in the amount of EUR 5 790 000. The company used this agreement to finance NHC 5, SIA share purchase. The loan repayment is due on 15 January 2021.

Changes in Company share holders

On 16 January 2019 the Company share holder PREMIUM FINANCE GROUP, SIA (reg. num. 40103210371) signed a sales agreement with ASG Resolution Capital, AS (reg. num. 40203155131) on the sale of Company shares in the amount of EUR 750 000 or 3% of the Company share capital. The Company registered shareholder changes in the shareholder register on 17 January 2019.

On 16 January 2019 the Company share holder PREMIUM FINANCE GROUP, SIA (reg. num. 40103210371) signed an exchange agreement with ASG Resolution Capital, AS (reg. num. 40203155131) on the sale of Company shares in the amount of EUR 750 000 or 3% of the Company share capital. The Company registered shareholder changes in the shareholder register on 21 January 2019.

In the time period from reporting period end till the date these financial statements were published there have been no events, which would lead to material corrections in these financial statements.

28. Going concern

Taking into account the fact the largest Company shareholder ABLV Bank, AS in Liquidation has started a process of self-liquidation, as well as the financial plans for the financial year 2019 approved within the liquidation process the Group and Company continue operations, the Company and the Group prepared these financial reports in a going concern basis. However, there still exists a material uncertainty regarding the Group and Company going concern related to decisions that will be taken within the ABLV Bank, AS in Liquidation self-liquidation process.

On 31 January 2019 Group cash and cash equivalents amounted to EUR 1 334 432. The Group and Company have sufficient funds to finance its operations, all operating expenses as well as to meet the coupon payment due on 16 April 2019. On 13 February 2019 the Company has received a letter from ABLV Bank, AS in Liquidation on the recognition of its creditor request in the amount of EUR 12 091 004.

The Group continues to receive rent payments from investment property tenants. The majority of tenants in Group investment properties are not related to ABLV Bank, AS in Liquidation group and the Group. Tenant payment discipline, compared to previous periods, has not deteriorated. Trade receivables 30 or more days overdue amounted to EUR 80 059 as at 31 January 2019.

The Group continues to operate in accordance with its business objective to invest funds in commercial properties, sustainably increase rental income and promote long-term property value and capital growth. The Group management continues to work on existing investment property improvements as well as additional investment property development. Given the Group capital structure the Group has the possibility to attract third party financing for its development projects. Company shareholders are also able to provide additional financing.



Edgars Miļūns
Chairman of the Board



Arnolds Romeiko
Member of the Board



Aija Hermāne-Sabule
Member of the Board
Chief financial officer

27 February 2019

INDEPENDENT AUDITOR'S REPORT

**To the stockholders of
New Hanza Capital, AS**

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of New Hanza Capital, AS, reg.No. 50003831571 ("the Company") and accompanying consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 9 to 41 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2018,
- the separate and consolidated statement of profit and 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, comprising significant accounting policies and other explanatory information.

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 2018, 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 *Auditor's 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 Law on Audit Services of the Republic of Latvia.

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

Material Uncertainty Relating to the Going Concern of the Company and Group

We draw attention to Note 28 "Going Concern" of the separate and consolidated financial statements, which indicates that the largest Company's shareholder ABLV Bank, AS in Liquidation has started a process of self-liquidation and according to the plans for 2019 approved within this process the Company and the Group's companies continue their operations. Considering the above, the Company's and the Group's management has concluded that the principle of going concern is applied in the separate and consolidated financial statements. However, a material uncertainty still exists regarding going concern of the Company and the Group, which is related to further decisions that will be taken in the self-liquidation process of ABLV Bank, AS in Liquidation. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Key audit matter	Our response
<i>Valuation of investments in subsidiaries (separate financial statements)</i>	
<p><i>The carrying amount of investments in subsidiaries in the Company's financial statements as at 31 December 2018: EUR 5 320.0 thousand.</i></p> <p><i>Reference to the Notes to the Company's financial statements:</i> <i>Note 6 ("Significant accounting policies") item h) "Investments in subsidiaries" on page 18 and Note 15 "Investments in subsidiaries" on page 30.</i></p> <p>Investments in subsidiaries are carried at cost less any accumulated impairment losses. Investments in subsidiaries comprise investments in NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 6, SIA.</p> <p>The determination of the recoverable amounts of investments in subsidiaries is a complex process and requires the management to make subjective judgements. Taking into account also that in the Company's statement on financial position as at 31 December 2018 the investments in subsidiaries amounts to 13.4% of total assets, as well as the fact that the Company has issued significant loans to subsidiaries, we have determined participation in the equity of subsidiaries as significant audit risk.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> evaluating the reasonableness of management judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests. This included, but was not limited to, examining the subsidiaries' financial information as at and for the year ended 31 December 2018, discussing the subsidiaries' performance with the Company's Board members, and assessing their strategy and cash flows forecasts.

Measurement of investment property (consolidated financial statements)

The carrying amount of investment property in the Group's consolidated financial statements as at 31 December 2018: EUR 39 108.0 thousand.

Reference to the Notes to the Group's consolidated financial statements:

Note 3 ("Estimates and judgements") on page 14, Note 6 ("Significant accounting policies") item c) "Investment property" on page 17 and Note 14 "Investment property" on pages 27-30.

Investment property is property held either to earn rental income or for capital appreciation or for both, and represents a significant part of the financial position of the Group (69.7% of total assets). The Group's investment property is represented by investments in real estate, which it measures at its fair value, with all changes therein recorded in profit or loss.

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

Due to the above factors, we considered this issue to be one of our key audit matters.

Our procedures included, among others:

- analysing the reports of the external certified valuers and, through discussions with the board members, obtaining an understanding of the Group's approach to estimating the fair value of investment property;
- based on our in-depth understanding of the Group's approach to measurement of investment properties, assessing the measurement methodology applied by the Group in comparison with the relevant IFRSs as adopted by the European Union and the valuation practice adopted in the market;
- considering the relevance of the Group's information to the assumptions and significant judgments used to estimate the fair value of the investment property.

Other matter

New Hanza Capital, AS separate and consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who issued an unmodified opinion on 19 April 2018 for these financial statements.

Reporting on Other Information

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

- General Information, as set out on page 3 of the accompanying Annual Report,
- Group Management Report, as set out on pages 4-7 of the accompanying Annual Report,
- the Statement on Management's Responsibility, as set out on page 8 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Group Management Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form.

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

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

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

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

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

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

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

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

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

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

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

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

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

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the

current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by the extraordinary shareholder's meeting on 18 December 2018 to audit the separate and consolidated financial statements of New Hanza Capital, AS for the year ended 31 December 2018. Our total uninterrupted period of engagement is 1 year, covering the period ending 31 December 2018.

We confirm that:

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

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

The responsible certified auditor on the audit resulting in this independent auditors' report is Marija Jansone.

SIA "Nexia Audit Advice"

The Firm of Sworn Auditors, Licence No. 134



Marija Jansone
Member of the Board,
The responsible Certified Auditor,
Certificate No. 25

Riga, Latvia
27 February 2019



Andrejs Ponomarjovs
Chairman of the Board,
Director General