New Hanza Capital, AS

Group and Company Annual Report

for the year ended 31 December 2019

Contents

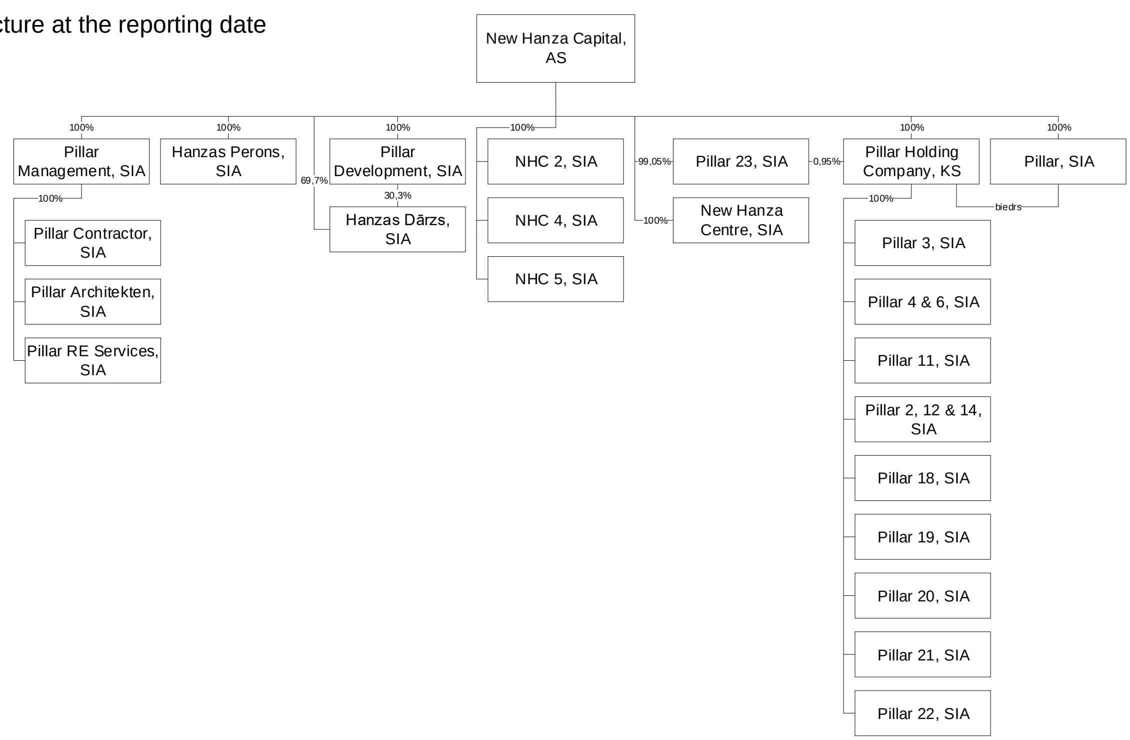
Disclaimer

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 parent company of the Group	New Hanza Capital, AS
Legal status of the parent company of the Group	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
Main types of primary activity (NACE, 2nd edition)	6420 Activities of holding companies 6820 Renting and operating of own or leased real estate 6910 Provision of legal services 6920 Accounting, bookkeeping and auditing activities; tax consultancy 7112 Engineering activities and related technical consultancy
Members of the Board and their positions	<u>From 11 December 2019</u> Edgars Miļūns, Chairman of the Board Aija Hermane-Sabule, Member of the Board Arnolds Romeiko, Member of the Board Pēteris Guļāns, Member of the Board Inga Vēvere, Member of the Board <u>From 20 March 2018 to 10 December 2019:</u> Edgars Miļūns, Chairman of the Board Aija Hermane-Sabule, Member of the Board Arnolds Romeiko, Member of the Board
Members of the Council and their positions	<u>From 3 December 2019</u> Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council Kaspars Bajārs, Member of the Council Ivans Marjasovs, Member of the Council <u>From 19 March 2018 to 2 December 2019:</u> Ernests Bernis, Chairman of the Council Edgars Pavlovičs, Deputy Chairperson of the Council Māris Kannenieks, Member of the Council
Reporting period	1 January 2019 – 31 December 2019
Auditors	Marija Jansone – Sworn Auditor of the Republic of Latvia Certificate No. 25 Nexia Audit Advice, SIA Registration No. 40003858822 Grēcinieku iela 9-3, Riga, LV – 1050, Latvia License No. 134

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.

From the end of 2019, through the merger of NHC with Pillar Group companies, the Group is able to provide a full real estate development cycle, from idea generation, business plan development and financing, to project development, construction cycle management, property management and administration, attracting tenants and selling properties.

Group key financial and property performance indicators

The Group result for the reporting period amounts to a EUR 4 752 873 profit after tax. The Company closed the financial year 2019 with a post-tax profit of EUR 135 573. The Group profit for the reporting period is in line with management expectations. Although the Group's operating segments are different, the Group's management primarily analyzes its consolidated results, taking into account industry practices. The table below summarizes the Group's performance indicators, which the Group's management considers to be more relevant given industry standards.

Group profit and cash flow indicators	Unit	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018	01.01.2017 - 31.12.2017
Income	EUR	5 889 891	3 841 838	1 643 524
Adjusted EBITDA	EUR	1 986 229	1 556 469	326 858
Profit before tax	EUR	4 752 873	1 667 174	8 115 882
Cash flows from operating activities	EUR	987 039	(11 158 056)	481 330
Group balance sheet indicators	**Unit**	**31.12.2019**	**31.12.2018**	**31.12.2017**
Gross asset value (GAV)	EUR	196 866 451	56 079 789	52 362 834
incl. Investment property	EUR	*88 603 703*	*39 108 000*	*35 453 295*
incl. construction in progress	EUR	*937 597*	*279 146*	-
incl. current assets	EUR	*64 738 213*	*16 308 182*	*16 835 146*
Liabilities	EUR	51 858 203	21 458 834	19 408 593
incl. current liabilities	EUR	*18 308 893*	*2 459 407*	*1 861 576*
Net asset value (NAV)	EUR	145 008 248	34 620 955	32 954 241
Group financial ratios	**Unit**	**01.01.2019 - 31.12.2019**	**01.01.2018 - 31.12.2018**	**01.01.2017 - 31.12.2017**
Adjusted EBITDA margin	%	33.72%	40.51%	19.89%
Net profit margin	%	79.80%	43.38%	482.96%
Equity ratio	%	0.71	0.62	0.66
Return on equity	%	5.23%	4.93%	33.09%
Return on assets	%	3.72%	3.07%	21.93%
Total liquidity ratio	%	3.54	6.63	9.04
Investment property indicators of the Group	**Unit**	**31.12.2019**	**31.12.2018**	**31.12.2017**
Number of investment properties	pcs.	30	9	8
Market value of investment properties	EUR	88 603 703	39 108 000	35 453 295
Rentable area	m2	79 827	72 992	69 768
Annual contractual rent fee	EUR	3 211 519	2 890 062	2 875 981
Return on investment properties at market value	%	3.6%	7.4%	8.1%
WALE	years	3.4	2.3	3.5
Weighted average rent rate	EUR/m2 p.m.	4.4	4.3	4.2
Occupancy	% of rentable area	77%	77%	85%

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 2019

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. On the date of signing the agreement the Company held the remaining 1.29% of NHC 5, SIA shares. This transaction was registered in the Company Register on 8 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 was acquired with the purpose to increase the Group investment property portfolio, as well as increase the Group rent income.

Loans

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 shareholder 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 shareholder 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.

On 14 November 2019, ASG Resolution Capital, AS (reg. No. 40203155131), being the shareholder of the Company, signed a transfer agreement about the alienation of the 1,500,000 Company's shares, which is 6% of the Company's shares, owned by it in favour of Cassandra Holding Company, SIA (reg. No. 40003251208). The Company registered the change of shareholders related to this transfer in the registry of shareholders on 3 December 2019.

Distribution of Company profit

At the extraordinary shareholders' meeting on 3 December, 2019, the shareholders of the Company decided to distribute the Company's profit for 2018 in the amount of EUR 4,500,000 and to pay dividends. In order to ensure the business continuity of the Company and its Group, the shareholders of the Company, by concluding a loan agreement with the Company, issued a loan to the Company in the amount of EUR 4,500,000. The interest rate for the use of the loan is 3.50%, the loan repayment term is set until the Company, in accordance with its creditor's claim, fully recovers the funds from the ABLV Bank, AS in liquidation.

Increasing share capital of the Company and amendments to the Articles of Association

On extraordinary meeting of 3 December 2019 the shareholders of the Company made a decision to increase the share capital of the Company by EUR 90,317,119, by issuing new registered ordinary voting shares with EUR 1 face value of one share. The shares of the new issue are paid up by a material investment of current shareholder of the Company – ABLV Bank, AS in liquidation – in the share capital of the Company, namely the capital shares owned by the Company in the following limited liability companies: Pillar 23, SIA, Pillar Management, SIA, Pillar, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Centre, SIA, as well as the investment in the limited partnership Pillar Holding Company, KS owned by ABLV Bank, AS in liquidation as a limited partner. Along with the increase of share capital of the Company there were also the Articles of Association of the Company amended. Information about the new version of the Articles of Association of the Company is available at www.nh.capital.

Re-election of the Council of the Company

Upon a proposal of the biggest shareholder of the company – ABLV Bank, AS in liquidation – on 3 December 2019 at the extraordinary meeting of shareholders of the Company there were previous members of the Council of the Company dismissed and the new Council of the Company was elected, providing that the Council of the Company shall hereinafter consist of five members of the Council, of which one shall be the Chairman of the Council and one Deputy Chairman of the Council.

From 3 December 2019 and till 2 December 2024 (inclusive) Ernests Bernis, Māris Kannenieks, Edgars Pavlovičs, Ivans Marjasovs and Kaspars Bajārs are elected in the Council of the Company.

On 3 December 2019 the new Council of the Company decided to elect Ernests Bernis to be the Chairman of the Council of the Company, and Edgars Pavlovičs — Deputy Chairman of the Council of the Company.

Changes in the Board of the Company

On 11 December 2019 the Council of the Company decided to expand the Board of the Company from three to five members, and elected the new Board of the Company for a 5-year term of duties till 10 December 2024 (inclusive). The work in the Board of the Company will be continued by the Chairman of the Board Edgars Miļūns, Member of the Board Arnolds Romeiko and Member of the Board Aija Hermane-Sabule, and there are two new members of the Board elected – Inga Vēvere and Pēteris Guļāns. The new Board is registered in the Register of Enterprises on 19 December 2019

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

Group management proposition on profit distribution or loss coverage.

The Board of the Company recommends to leave the profit of the reporting year undistributed and to invest in the development of investments of the Company and its Group.

Going concern

Despite of 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 2020 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.

Thanks to the transactions completed in March 2020 selling shares of two companies to an investment fund EfTEN Real Estate Fund III, AS, which implied sale of 100% of shares of companies NHC 1 and NHC 3 (owning AirBaltic headquarters in Riga airport and production and logistics complex in Ķekavas Region) for EUR 15 800 000, the Company has significantly decreased the Group’s liabilities and gained free cash, which enable the Company and the Group to finance its operations, and fulfill their liabilities as well as to meet the coupon payments.

On 15 June 2020 Group cash and cash equivalents amounted to EUR 7 387 780.

In addition, in 2019 all Group companies have received a letter from ABLV Bank, AS in liquidation regarding the recognition of their creditor's claims against ABLV Bank, AS in liquidation.

The Group companies continue to receive lease payments from the Group's investment properties tenants and proceeds from the sale of real estate owned by Pillar Holding Company, KS subsidiaries. The majority of the Group's lessees are companies unrelated to the Group and the ABLV Bank, AS Group in liquidation. The payment discipline of tenants has not deteriorated compared to previous periods.

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.

On behalf of the Board:

Edgars Miļūns	Arnolds Romeiko	Inga Vēvere
Chairman of the Board	*Member of the Board*	*Member of the Board*

Riga, 19 June 2020

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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 13 through 60 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 2019, and the results of their operations, changes in the share capital and reserves and cash flows for the twelve months of 2019 and the twelve months of 2018. 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	Arnolds Romeiko	Inga Vēvere
Chairman of the Board	*Member of the Board*	*Member of the Board*

Riga, 19 June 2020

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Group and Company Financial Statements

Statements of Profit and Loss and Other Comprehensive Income for year ended 31 December 2019

	Notes	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Income	10	5 889 891	3 841 838	314 003	1 062 611
Operating expenses	11	(3 807 213)	(1 724 711)	(188 464)	(216 298)
Gross profit		**2 082 678**	**2 117 127**	**125 539**	**846 313**
Administrative expenses	12	(687 262)	(462 552)	(430 026)	(333 027)
Other operating income		544 242	67 475	-	54 905
Other operating expenses		(130 811)	(176 017)	(28 017)	(76 079)
Other interest and similar income		-	77 743	1 127 128	927 501
Interest and similar expenses	13	(911 962)	(725 165)	(670 051)	(488 969)
Dividend income from subsidiaries		-	-	-	4 108 120
Investment property revaluation		3 855 988	702 417	11 000	(59 000)
Income from a partial loss of contributions to subsidiary share capital		-	66 146	-	-
Profit before taxes		**4 752 873**	**1 667 174**	**135 573**	**4 979 764**
Corporate income tax for the reporting period		(52 465)	(460)	(48 988)	(33)
Profit of the reporting period		**4 700 408**	**1 666 714**	**86 585**	**4 979 731**
Total amount of comprehensive income		**4 700 408**	**1 666 714**	**86 585**	**4 979 731**

The accompanying notes on pages 13 to 60 form an integral part of these financial statements.

Edgars Miļūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Inga Vēvere
Member of the Board

Riga, 19 June 2020

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Statements of Financial Position as at 31 December 2019

	Notes	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Assets					
Non-current assets					
Intangible assets	15	43 869	2 981	2 014	2 981
Goodwill	16	3 285 936			
Fixed assets	17	16 162 565	59 132	66 697	59 132
Investment properties	18	88 603 703	39 108 000	700 000	689 000
Costs of unfinished construction objects	17	937 597	279 146	-	-
Participation in the capital of associated companies	19	-	-	122 871 930	5 320 000
Participation in the capital of other related companies	20	-	306 000	-	306 000
Financial assets at fair value through profit and loss	21	6 831 497	16 348	-	-
Total non - current assets		**115 865 167**	**39 771 607**	**123 640 641**	**6 377 113**
Current assets					
Real estate held for sale	22	20 336 187	-	-	-
Trade receivables and contract assets	23	960 191	67 853	-	1 888
Debts of related companies	24	38 800 767	12 091 003	13 356 923	12 612 068
Loans to related companies	25	-	-	18 445 000	18 442 000
Other assets	26	1 902 244	360 685	90 907	75 301
Cash and cash equivalents	27	2 738 824	3 788 641	403 227	2 267 229
Total current assets		**64 738 213**	**16 308 182**	**32 296 057**	**33 398 486**
Long - term investments held for sale	28	16 263 071	-	1 200 000	-
Total assets		**196 866 451**	**56 079 789**	**157 136 698**	**39 775 599**
Liabilities					
Equity					
Share capital	29	115 317 119	25 000 000	115 317 119	25 000 000
Share issue premium	29	19 869 766		19 869 766	
Retained earnings / unpaid (loss) of previous years		5 120 955	7 954 241	116 975	(362 755)
Profit for the reporting year		4 700 408	1 666 714	86 585	4 979 731
Total equity		**145 008 248**	**34 620 955**	**135 390 445**	**29 616 976**
Long-term liabilities					
Loans from credit institutions	30	2 734 785	9 956 521		-
Borrowings against bonds	30	8 956 052	8 956 052	8 956 052	8 956 052
Other loans	30	540 000		540 000	
Other loans of related companies	30	13 750 000		9 750 000	
Other liabilities	32	93 943	86 854	-	-
Total long - term liabilities		**26 074 780**	**18 999 427**	**19 246 052**	**8 956 052**
Short-term liabilities					
Loans from credit institutions	30	315 257	580 251	-	-
Borrowings against bonds	30	1 145 373	1 145 372	1 145 373	1 145 372
Other loans of related companies	30	-		1 150 000	
Debts to suppliers		1 584 042	315 005	36 376	12 593
Debts to associated companies	31				
Taxes		192 504	18 364	49 585	391
Other liabilities and contract liabilities	32	14 653 940	338 408	14 766	14 365
Accrued liabilities		417 777	62 007	104 101	29 850
Total short-term liabilities		**18 308 893**	**2 459 407**	**2 500 201**	**1 202 571**
Liabilities directly related to sales, longer investments	28	7 474 530	-	-	-
Total liabilities		**51 858 203**	**21 458 834**	**21 746 253**	**10 158 623**
Total liabilities and equity		**196 866 451**	**56 079 789**	**157 136 698**	**39 775 599**

The accompanying notes on pages 13 to 60 form an integral part of these financial statements.

Edgars Miļūns	Arnolds Romeiko	Inga Vēvere
Chairman of the Board	*Member of the Board*	*Member of the Board*

Riga, 19 June 2020

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Statements of Cash Flows for the year ended 31 December 2019

	Notes	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Cash flows from operating activities					
(Loss) / profit of the reporting period before tax		4 752 873	1 667 174	135 573	4 979 764
Adjustments for:					
Depreciation of fixed assets		177 382	10 436	11 072	10 436
Fixed asset disposal costs		-	9 405	-	9 405
Interest income		-	(77 743)	(1 127 128)	(927 501)
Interest expenses		911 962	725 165	670 051	488 969
Dividend income		-	-	-	(4 108 120)
Income from investments in associates		-	6 793	-	376 362
Changes in the value of long-term and short-term financial assets		(5 450)	(9 373)	-	
(Gain) / loss on revaluation of investment property		(3 855 988)	(702 417)	(11 000)	59 000
Retraining of the participation part		-	-	-	-
Profit before changes in working capital		**1 980 779**	**1 629 440**	**(321 432)**	**888 315**
(Increase)/ decrease in trade receivables		(279 374)	(12 049 973)	(48 805)	(11 870 499)
Increase/ (decrease) in payables		126 326	(474 434)	81 377	(687 360)
Interest received			33 432	406 046	327 205
Interest expense		(840 417)	(225 130)	(613 313)	(989)
Corporate income tax paid		(275)	(71 391)	(35)	-
Cash flows from/ (used in) operating activities		**987 039**	**(11 158 056)**	**(496 162)**	**(11 343 328)**
Cash flows from investing activities					
Acquisition of investment property/ investment in construction		(1 803 110)	(3 231 334)	-	-
Purchase of property, plant and equipment		(398 375)	(38 483)	(17 670)	(38 483)
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	-
Acquisition of shares in other related companies/ net cash paid		(8 128 967)	-	(8 287 170)	-
Cash balance for newly added companies		2 515 115	-	-	-
Acquisition of shares in other related companies / net cash paid for acquisition		-	(306 000)	-	(306 000)
Proceeds from disposal of shares in related companies / net cash received		-	7 500	-	7 500
Disposal of other related companies		-	-	-	-
Dividends received		-	-	(448 000)	(5 934 000)
Loans issued		-	-	(5,934,000)	(16,739,000)
Revenue from loan repayments		-	-	445 000	-
Investments in financial assets	19	-	12 183 736	-	12 183 736
Net cash flows generated from/ (used in) investing activities		**(7 815 337)**	**8 631 948**	**(8 307 840)**	**10 037 402**
Cash flows from financing activities					
Loans received		6 490 000	3 000 000	6 940 000	-
Loans repaid		(577 223)	(904 430)	-	(459 496)
Net cash flows from financing activities		**5 912 777**	**2 095 570**	**6 940 000**	**(459 496)**
Increase/(decrease) in net cash during the reporting period		**(915 521)**	**(430 538)**	**(1 864 002)**	**(1 765 422)**
Cash at the beginning of the reporting period		3 788 641	4 219 179	2 267 229	4 032 651
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 60 form an integral part of these financial statements.

Edgars Miļūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Inga Vēvere
Member of the Board

Ilonija Vāverova
Head Accountant
Riga, 19 June 2020

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Group Statement of Changes to the Shareholders Equity for the year ended 31 December 2019

	Notes	Paid-in share capital	Share issue premium	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total share capital
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**
31 December 2018	29	**25 000 000**	**-**	**7 954 241**	**1 666 714**	**34 620 955**
1 January 2019		**25 000 000**		**9 620 955**		**34 620 955**
Share issue		90 317 119				**90 317 119**
Share issue premium			19 869 766			**19 869 766**
Profit distribution				(4 500 000)		**(4 500 000)**
Total comprehensive income						
Total comprehensive income for the reporting period			-		4 700 408	**4 700 408**
31 December 2019	29	**115 317 119**	**19 869 766**	**5 120 955**	**4 700 408**	**145 008 248**

Company Statement of Changes to the Shareholders Equity for the year ended 31 December 2019

	Notes	Paid-in share capital	Share issue premium	Retained earnings/ (uncovered loss) of previous periods	Profit / (loss) of the reporting period	Total share capital
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 31 December 2018	29	**25 000 000**	**-**	**(362 755)**	**4 979 731**	**29 616 976**
At 1 January 2019		**25 000 000**		**4 616 975**		**29 616 975**
Share issue		90 317 119				**90 317 119**
Share issue premium			19 869 766			**19 869 766**
Profit distribution				(4 500 000)		**(4 500 000)**
Total comprehensive income						
Total comprehensive income for the reporting period			-		86 585	**86 585**
At 31 December 2019	29	**115 317 119**	**19 869 766**	**116 975**	**86 585**	**135 390 445**

The accompanying notes on pages 13 to 60 form an integral part of these financial statements.

Edgars Miļūns
Chairman of the Board

Arnolds Romeiko
Member of the Board

Inga Vēvere
Member of the Board

Ilonija Vāverova
Head Accountant

Riga, 19 June 2020

THIS REPORT IS SIGNED WITH A SAFE DIGITAL SIGNATURE AND CONTAINS TIMESTAMP

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. The Company's largest shareholder ABLV Bank, AS in liquidation prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, to the extent that the information presented in the financial statements is most accurately assessed in accordance with the going concern basis. information on the Company's major shareholders and its financial statements 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 2019 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's parent company.

The Group consists of the following companies:

In accordance with the specification and objectives of the Company and its subsidiaries, the Company is dividing its operation in several separate segments:

Segment 1 – service providing companies. The objective of the companies in this segment is to gain profit by providing real estate management, construction, design and real estate operator services to the companies of the Group and external clients. This segment includes the following companies:

New Hanza Capital, AS – starting from 1 March 2020 the Company is ensuring the basic functions necessary for the economic activity of all the companies of its group, i.e., support functions (accounting, legal, record-keeping and project management services). The Company owns two commercial premises on Elizabetes iela 21A, Riga, leased to long term tenants. The Company is a parent company of the Group.

Hanzas Perons, AS was registered in the Register of Enterprises of the Republic of Latvia on 15 November 2016. Legal address of the company is Hanzas iela 16A, Riga, LV-1045. The principal line of business of Hanzas Perons, SIA, inter alia, is entertainment and leisure activities. NHC owns 100% of shares of Hanzas Perons, SIA, and Hanzas Perons, SIA, is included in the Group. In the reporting period, Hanzas Perons, SIA, ensured operator services to the culture and entertainment building "Hanzas Perons" (address: Hanzas iela, Riga) owned by Pillar Development, SIA, a company belonging to the Group.

Pillar Architekten, SIA was registered in the Register of Enterprises of the Republic of Latvia on 14 July 2011. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar Architekten, SIA, is design services. Pillar Architekten, SIA, is a subsidiary of NHC through indirect holding. Pillar Management, SIA, the subsidiary of direct holding of NHC, owns 100% of shares of Pillar Architekten, SIA, and Pillar Architekten, SIA, is included in the Group. In the reporting period, Pillar Architekten, SIA, was rendering design services to the companies of the Group.

Pillar Contractor, SIA was registered in the Register of Enterprises of the Republic of Latvia on 10 September 2015. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar Contractor, SIA, is construction of residential and non-residential buildings. Pillar Contractor, SIA, is a subsidiary of NHC through indirect holding. Pillar Management, SIA, the subsidiary of direct holding of NHC, owns 100% of shares of Pillar Contractor, SIA, and Pillar Contractor, SIA, is included in the Group. In the reporting period, Pillar Contractor, SIA, was rendering construction services and project management services to the companies of the Group and external clients.

Pillar RE Services, SIA was registered in the Register of Enterprises of the Republic of Latvia on 14 November 2013. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar RE Services, SIA, is real estate management for remuneration or on contractual basis. Pillar RE Services, SIA, is a subsidiary of NHC through indirect holding. Pillar Management, SIA, the subsidiary of direct holding of NHC, owns 100% of shares of Pillar RE Services, SIA, and Pillar RE Services, SIA, is included in the Group. In the reporting period, Pillar RE Services, SIA, inter alia, was rendering property management, rent and sale services to the companies of the Group and external clients.

Pillar Management, SIA was registered in the Register of Enterprises of the Republic of Latvia on 26 September 2008. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar Management, SIA, is ensuring operation of the headquarters. NHC owns 100% of shares of Pillar Management, SIA, and Pillar Management, SIA, is included in the Group. In the reporting period, Pillar Management, SIA, was ensuring the basic functions necessary for the economic activity of all the companies of its group, i.e., support functions (accounting, legal, record-keeping and project management services).

Segment 2 – companies owning real estate objects held for development. This segment includes the following companies:

Pillar Development, SIA was registered in the Register of Enterprises of the Republic of Latvia on 31 March 2009. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar Development, SIA, is rent and management of owned or rented real estate. NHC owns 100% of shares of Pillar Development, SIA, and Pillar Development, SIA, is included in the Group. In the reporting period, Pillar Development, SIA, owned office building at Pulkveža Brieža iela 28A in Riga, culture and entertainment centre "Hanzas Perons" located at Hanzas iela 16A in Riga, as well as several land plots held for development in Riga at New Hanza territory.

Hanzas Dārzs, SIA was registered in the Register of Enterprises of the Republic of Latvia on 28 June 2017. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Hanzas Dārzs, SIA, is rent and management of owned or rented real estate. NHC owns 69.70% of shares of Hanzas Dārzs, SIA, (30.30% of shares of Hanzas Dārzs, SIA, belong to the Company's subsidiary Pillar Development, SIA) and Hanzas Dārzs, SIA, is included in the Group. In the reporting period, Hanzas Dārzs, SIA, owned a land plot held for development in Riga at New Hanza territory.

Pillar 23, SIA was registered in the Register of Enterprises of the Republic of Latvia on 24 November 2017. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of Pillar 23, SIA, is rent and management of owned or rented real estate. NHC owns 99.05% of shares of Pillar 23, SIA, (0.95% of shares of Pillar 23, SIA, belong to the Company's limited partnership Pillar Holding Company, KS) and Pillar 23, SIA, is included in the Group. In the reporting period, Pillar 23, SIA, owned several land plots held for development in Riga at New Hanza territory.

New Hanza Centre, SIA was registered in the Register of Enterprises of the Republic of Latvia on 9 December 2016. Legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. The principal line of business of New Hanza Centre, SIA, is rent and management of owned or rented real estate. NHC owns 100% of shares of New Hanza Centre, SIA, and New Hanza Centre, SIA, is included in the Group. In the reporting period, New Hanza Centre, SIA, owned a land plot held for development at New Hanza territory at Mihaila Tāla iela 3.

Segment 3 – companies owning rent income generating commercial properties. The objective of the companies of this segment is to ensure sustainable increase in income from renting the premises and enlarging of the value of properties in long-term perspective. This segment includes the following companies:

NHC 2, SIA was registered in the Register of Enterprises of the Republic of Latvia 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. NHC 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 4, SIA was registered in the Register of Enterprises of the Republic of Latvia 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. NHC 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 Register of Enterprises of the Republic of Latvia 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. NHC held 100% of share capital of NHC 5, SIA until and NHC 5, SIA, is included in the Group. NHC 4, SIA owns an office building at Elizabetes iela 23 in Riga, and office premises at Elizabetes iela 21A - 102, Riga. The building and the premises are rented out on short-term and long-term basis.

Pillar 22, SIA was registered with the Register of Enterprises of the Republic of Latvia on 3 February 2016. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 22, SIA line of business is sale and acquisition of own real estate. Pillar 22, SIA is a subsidiary of NHC, owned through indirect holding. Pillar Holding Company, KS, holds 100% of share capital of Pillar 22, SIA and Pillar 22, SIA, is included in the Group. In the reporting period, Pillar 22, SIA, owned an office building at Brīvības iela 275. The building is rented out on a long-term basis.

Segment 4 – companies owning real estate objects held for sale, which were obtained in the course of restructuring of loans of clients of ABLV Bank, AS in liquidation. The objective of the companies is to sell the properties in the set time periods. This segment includes the following companies:

Pillar Holding Company, KS was registered with the Register of Enterprises of the Republic of Latvia on 26 November 2009. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar Holding Company, KS, line of business is operation of holding company. NHC owns 100% of shares of Pillar Holding Company, KS. Pillar Holding Company, KS, is a parent company of the subsidiaries of this segment.

Pillar, SIA was registered with the Register of Enterprises of the Republic of Latvia on 12 June 2012. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar, SIA, line of business is operation of holding company. NHC owns 100% of shares of Pillar, SIA, and Pillar, SIA, is included in the Group. In the reporting period, Pillar, SIA, was operating as a partner in the Group's limited partnership Pillar Holding Company, KS.

Pillar 3, SIA was registered with the Register of Enterprises of the Republic of Latvia on 26 September 2008. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 3, SIA, line of business is sale and acquisition of own real estate. Pillar 3, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 3, SIA, and Pillar 3, SIA, is included in the Group. In the reporting period, Pillar 3, SIA, owned several real estate objects held for sale – apartments, buildings and land plots in Riga and Riga Region.

Pillar 4 & 6, SIA was registered with the Register of Enterprises of the Republic of Latvia on 19 January 2009. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 4 & 6, SIA, line of business is sale and acquisition of own real estate. Pillar 4 & 6, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 4 & 6, SIA, and Pillar 4 & 6, SIA, is included in the Group. In the reporting period, Pillar 4 & 6, SIA, owned a building and land plots held for sale in Riga and Jurmala.

Pillar 11, SIA was registered with the Register of Enterprises of the Republic of Latvia on 11 November 2009. The legal address of the company Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 11, SIA, line of business is sale and acquisition of own real estate. Pillar 11, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 11, SIA, and Pillar 11, SIA, is included in the Group. In the reporting period, Pillar 11, SIA, owned a land plot held for sale at Čiekurkalna 3. Šķērslīnija 1A, Riga.

Pillar 2, 12 & 14, SIA was registered with the Register of Enterprises of the Republic of Latvia on 16 August 2010. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 2, 12 & 14, SIA, line of business is sale and acquisition of own real estate. Pillar 2, 12 & 14, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 2, 12 & 14, SIA, and Pillar 2, 12 & 14, SIA, is included in the Group. In the reporting period, Pillar 2, 12 & 14, SIA, owned several apartments held for sale in the apartment block at Lielezeres iela 10, Riga, and Miera iela 57A, Riga.

Pillar 18, SIA was registered with the Register of Enterprises of the Republic of Latvia on 15 December 2011. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 18, SIA, line of business is sale and acquisition of own real estate. Pillar 18, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 18, SIA, and Pillar 18, SIA, is included in the Group. In the reporting period, Pillar 18, SIA, owned a private house at Priedaines iela 42, Riga.

Pillar 19, SIA was registered with the Register of Enterprises of the Republic of Latvia on 7 March 2014. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 19, SIA, line of business is rent and management of own or rented real estate. Pillar 19, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 19, SIA, and Pillar 19, SIA, is included in the Group. In the reporting period, Pillar 19, SIA, owned a real estate held for development at Jūras iela 41/45, Jurmala.

Pillar 20, SIA was registered with the Register of Enterprises of the Republic of Latvia on 28 May 2015. The legal address of the company is Pulkveža Brieža iela 28A, Riga, LV-1045. Pillar 20, SIA, line of business is sale and acquisition of own real estate. Pillar 20, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 20, SIA, and Pillar 20, SIA, is included in the Group. In the reporting period, Pillar 20, SIA, owned an office building held for sale at Visbijas prospekts 5, Riga.

Pillar 21, SIA was registered with the Register of Enterprises of the Republic of Latvia on 10 September 2015. The legal address of the company is Pulkveža Brieža iela 28A, Riga, Riga, LV-1045. Pillar 21, SIA, line of business is sale and acquisition of own real estate. Pillar 21, SIA, is a subsidiary of NHC through indirect holding. Pillar Holding Company, KS, owns 100% of shares of Pillar 21, SIA, and Pillar 21, SIA, is included in the Group. In the reporting period, Pillar 21, SIA, owned a commercial object held for sale – a tile factory in Brocēnu Region, Cieceres Parish, Strīķi.

2. Basic principles of preparing financial reports and other significant accounting principles

These Group consolidated and Company's 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 19 June 2019, and have to be approved by the Company's 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's financial statement's comparable figures for the financial year 2018 are classified according to the financial year 2019 principles, and are fully comparable.

These financial statements cover the 12 months from 1 January 2019 to 31 December 2019.

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 or increase of value of investment capital or both of these objectives together, yet these properties are not being held for sale, production or delivery of goods or rendering services, or for administrative purposes in the course of regular economic activity, are classified as investment property and are measured at fair value, with any changes in fair value recognized as profit or loss in the comprehensive income. Investment property is valued by an external certified appraiser at least once a year (see 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. As soon as its fair value becomes reliably measurable or construction is completed, the buildings shall be measured at fair value. Investment property under development, where existing buildings are undergoing reconstruction, is measured at fair value.

b) 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.

c) Classification of real estate as property used by the owner or investment property

The Group considers criteria in order to assess, whether the long-term investments should be recognised as fixed assets or investment properties. The Group owns land and building, which are partially used as investment properties, and partially used by the owner. The management of the Group has decided that the part of property used by the owner should be recognised as fixed asset.

d) 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 Group has 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.

e) Determining fair value of financial instruments

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

f) Intangibles and fixed assets

The Group and the Company review the depreciation period, as well as depreciation methods applicable to the intangibles with a limited useful life.

The Group and the Company review the liquidation value of the fixed assets, their useful life and depreciation convention.

g) Depreciation of accounting value of long-term investments

The Group and the Company review accounting value of long-term investments and assesses, whether there are any signs indicating that the recoverable value of the assets is lower than the accounting value.

h) Valuation of reserves and determining net sale value

Reserves (real estate objects held for sale) are measured at their lowest of cost price and net sale value. The management should prepare estimates of the value of reserves in cases when it is detected that the recoverable value of the reserves is lower than their acquisition value. Net sale vale of real estate objects held for sale is being determined taking into account market conditions and prices, which exist on the reporting day, and it is determined by the Group, based on comparable transactions in the same geographical market for the same real estate segment.

i) Valuation of receivables

The Group and the Company review recoverability of receivables as on each financial report date.

The Group and the Company make provisions for expected credit losses for the debts of buyers and clients, and the assets of the contracts. The Group and the Company use provisions matrix in order to calculate expected credit losses for the debts of buyers and clients, and the assets of the contracts, which is based on default indicators historically observed by the Group and Company, and is being amended in order to adjust the historical experience of credit loss with the future information. The assessment of correlation between the historically observed default indicators, estimated economic conditions and expected credit losses is a significant estimate.

j) Determining rent period

The Group and the Company determine a rent period as an irrevocable period, in which the tenant is entitled to use the underlying asset together with the periods, to which an option to extend the rent applies, if there is reasonable confidence in that the tenant will use this option; and periods to which an option to terminate the lease applies, if there is reasonable confidence that the tenant will not use this option.

The Group and the Company as the Lessor conclude lease agreements, which contain an option to terminate or extend the lease. On the date the lease starts, the Group and the Company determine, whether it can be reasonably assumed that the tenant will use an option to extend the lease agreement or will not use the option to extend the agreement. In order to carry out this assessment, the Group and the Company take into account all the respective facts and circumstances, which create an economic stimulus for the tenant to use or not use the option, including the estimated changes in the facts and circumstances from the start date till the date of using the option, including the terms and conditions of the agreement for the additional periods in comparison to the market rates, all the significant tenant's improvements in the rented property, costs related to the termination of the lease agreement, importance of the underlying asset in the tenant's operation.

k) Determining the performance duty

The Group and the Company determine the performance obligations regarding services provided to customers. At the time of concluding the agreements, the Group and the Company evaluate the promised goods or services in the agreement with the customer and determine as an obligation fulfilment of each promise to deliver a different good or service to the customer; or series of different goods or services that are essentially the same and have the same transfer characteristics to the customer.

In order to assess the progress of the performance obligation, the Group and the Company conclude that the goods or services provided to customers consist of a series of day-to-day goods or services that are separately received over time by customers receiving and consuming the goods and services provided by the Group and the Company.

l) Assessment of progress regarding full execution of performance duty, when the revenue is recognized over time

Regarding each performance duty that is carried out over time (for example, construction services), the Group recognizes revenue in the course of time, assessing the progress in complete execution of performance duty using resource method. In accordance with this method, the Group recognizes revenue based on the Group's invested resources with the purpose to execute performance duty (for example, the funds used, work hours spent, costs incurred, time or machine hours spent) in comparison to total estimated resources in order to execute performance duty. With the change of circumstances over time, the company updates its progress assessment in order to disclose all the changes in the final outcome of the performance duty.

m) Consideration of functions of principal company or principal agent

The Group and the Company consider functions of a principal company or principal agent. The Group and the Company organize services which are rendered to it by third parties and which in accordance with the appropriate agreements, which the Group and the Company conclude as a Lessor, are rendered to the tenants of the investment properties. The Group and the Company determine that the Group and the Company control the services till the moment they are submitted to the tenant, because the Group and the Company can manage use of these services and benefit from them. Upon carrying out this assessment, the

Group and the Company assume that the Group and the Company is responsible for the pledge to provide certain services, because the Group and the Company are directly engaging in review of complaints of tenants, and are responsible for the quality and suitability of the provided services. Moreover, the Group and the Company are free in determining the price they ask from the tenants for the services, therefore it is deemed that the Group and the Company is the principal company in these agreements.

The Group also assumes the functions of the principal company or principal agent also in agreements of execution of construction projects, in which the Group's company is the principal construction agent and project manager. The Group assumes that the respective company of it is the principal company in these agreements, because the services rendered by third parties are organized and controlled by the company of the Group until they are submitted to the client, and therefore is responsible for the quality and suitability of the services provided.

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's 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. The financial reports of the Group's parent company and its subsidiaries are consolidated in the Group's consolidated financial report, merging the appropriate positions of assets and liabilities, as well as income and expense. 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.

Assets and liabilities of the subsidiaries, about which a decision to sell is made, after carrying out all the consolidation procedures, shall be disclosed in the Group's financial report 2019 as long-term investments held for sale in accordance with the requirements of IFRS 5.

Business combination accounting

Business combination is accounted using acquisition method. The acquisition costs are the fair value of the remuneration given on the acquisition day. The acquired identifiable assets and liabilities and the probable liabilities in the course of business combination are being initially measured at their fair value on the acquisition date. The Group recognises non-controlling participation in the acquired company, based on the proportional share of non-controlling participation in the identifiable net assets of the acquired company. Acquisition-related costs are being included in the administrative costs in the comprehensive income at the moment they occur.

When the Group acquires any company, it assesses the acquired financial assets and undertaken liabilities in order to properly classify and recognise them. Classification and recognition is carried out by the buyer based on the terms of the agreements, economic circumstances and other applicable conditions at the moment of acquisition. If business combination takes place gradually, fair value of the previously acquired participation in the company's equity on the acquisition date is being remeasured in accordance with the fair value on the acquisition through disclosure in comprehensive income.

If the initial accounting of the business combination is not completed by the end of the reporting period, in which the combination takes place, in the financial report the Group indicates estimated amounts regarding those positions, where the accounting data are incomplete. During the assessment period, the Group retrospectively corrects the estimated amounts recognised at the acquisition date in order they reflected the new information obtained about the facts and circumstances, which were in effect on the acquisition date, and had they been known, they would have affected the measurement of the amounts recognised on that date. In the assessment period, the Group recognises also the additional assets or liabilities, if there is information received about the facts and circumstances that were in effect on the acquisition date, and had they been known, they would have caused recognition of such assets and liabilities on that date. The assessment period ends as soon as the Group receives the information it was looking for about the facts and circumstances that were in effect on the acquisition day, or finds out that additional information is not available. Yet the assessment period should not exceed one year since the acquisition day.

Any possible remuneration, which the buyer has to pay for the acquired company, is recognised at fair value on the acquisition day. Hereinafter the amendments in the fair value of the probable remuneration, if such remuneration is classified as asset or liability, is recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", recognising gains or losses either in the comprehensive income or in other income that are not being reflected in the comprehensive income. If the probable remuneration is classified as equity, it shall not be remeasured, until it is fully settled, accounting the payment in equity.

Changes in participation share in subsidiary without loss of control

Changes in the participation share of a parent company in the subsidiary, in the result of which control is lost, are accounted as equity transactions (i.e., transactions with owners, who act as owners). The accounting value of controlling and non-controlling participation are corrected in order to reflect their comparative participation changes in the subsidiary. The difference between the amount, by which the non-controlling participation is corrected, and the fair value of the paid or received remuneration is recognized directly in equity and referred to the owners of the parent company.

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 non-controlling participation in the former subsidiary 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 the result of transactions, events or circumstances resulting in the loss of control over the subsidiary at fair value;
- recognises remaining investments in an associate over which it lost control at fair value at the date of loss of control over the subsidiary.

And if the gain or loss has been previously recognised in other income, which are not reflected in profit and loss statement, and after the alienation of these assets or liabilities they should have been reclassified as profit or loss, the parent company shall reclassify gain or loss from equity to profit or loss (as reclassification correction), when it loses control of a 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 assets held by the Group/Company are investments in shares of companies quoted on the exchange, trade receivables, and receivables from related parties, other assets, loans to related parties and cash and cash equivalents, and financial liabilities – bonds, loans from credit institutions, other loans, accounts payable to suppliers, related companies 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 a company of the Group 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, to which, if financial assets are not at fair value through profit and loss, transaction costs directly attributable to the acquisition or issue of the financial asset are added.

(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 except if they are measured through amortised cost or FVTOCI. Yet 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.

(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 the particular financial asset and the transfer qualifies for de-recognition.

The Company transfers the financial asset only if the Company has:

- transferred contractual rights to receive cash flows from the respective financial assets, or
- has retained contractual rights to receive cash flows from the respective financial assets but has undertaken contractual obligations to disburse the appropriate cash flows to one or several receivers.

(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 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, contractual assets and amounts due from lessees, the Companies apply the simplified approach – estimate impairment allowances that are equal to the lifetime of expected losses on the respective financial asset:

a) for trade receivables or contractual assets recognized and measured according to IFRS 15 and that:
    i. do not contain a significant financing component (or the company applies practical approach to the agreements shorter than 12 months) in accordance with IFRS 15; or
    ii. contain a significant financing component according to IFRS 15 but the 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 16 if the Company accounting policy states that impairment allowances will be equal to the lifetime expected credit losses on the respective financial assets.

The Group / Company has developed an allowances matrix that is based on historical experience of credit losses that is adjusted to future factors characteristic to the debtors and economic environment.

The Group / Company assumes that a financial asset is defaulted if the contractual obligations are defaulted for 90 days. Yet in certain cases the Group / Company may also assume that the financial asset is defaulted if the internal or external information suggests that the Group / Company most likely will not receive the amounts provided in the defaulted contract, before taking into account any credit enhancement of the assets held by the Group / Company. The financial asset is written-off, when there are no reasonable hopes to recover the contractual amounts.

Provisions for expected credit losses on trade receivables and lease receivables

The Group / Company uses provisions matrix in order to account the expected credit losses on trade receivables and lease receivables. The provisions rates are based on the number of defaulted days for various groups of client segments with similar loss models.

The provisions matrix is initially based on the Group / Company's historically observed defaults. The Group / Company is changing the matrix in order to adjust the historical credit loss experience to the future information. For example, if it is expected that next year the estimated economic conditions (i.e., the gross domestic product), which may increase the number of default cases, the historical defaults are being corrected. On each reporting date the historically observed defaults are updated and the changes in the future predictions are analyzed.

The Group's / Company's management, in estimating the expected credit losses, also assessed the historical default in transactions between the Group's companies. However, taking into account the historical credit loss experience of the respective parties' transactions, the management of the Group / Company has recognized that no provision for credit losses is required for these transactions.

Correlation assessment between the historically observed defaults, expected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to the changes in circumstances and the expected economic conditions. The Group / Company's historical credit loss experience and estimates of economic conditions may be not representative regarding the actual default of the clients in future. The information about the expected credit losses regarding Group / Company's trade receivables and lease receivables is disclosed in Note 8.

Financial liabilities

(i) Initial recognition

The 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 related to acquisition or issue of the financial liability.

(ii) Subsequent measurement

The 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 Company de-recognizes financial liabilities (or part of the financial liabilities) only once it has fulfilled all of the obligations arising from the respective financial liabilities, i.e., the duty provided by the contract is fulfilled or cancelled or expired.

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.

Property or part of it which the Group company uses for administrative purposes is classified and accounted as fixed asset. In this consolidated financial report such reclassification is carried out.

d) Intangible investments

Intangible value

Intangible value occurs upon acquiring subsidiaries, and initially measured as positive difference between the compensation paid and the net amount of identifiable assets and liabilities acquired by the Group. If the said compensation is smaller than the net assets of the acquired subsidiary, then the difference is recognised in comprehensive income.

After initial recognition, the intangible value is measured at its initial value, deducting the accrued depreciation losses. In order to carry out review of depreciation, the intangible value obtained through business combination, starting from the acquisition date, is attributed to each cash generating unit of the Group, which as expected will gain from the combination of businesses regardless of whether other assets or liabilities of the acquired company will be attributable to these units.

Each cash generating unit to which an intangible value is attributed represents the lowest level in the company in which the intangible value is monitored for the purposes of internal management. The intangible value is monitored on subsidiary level.

At the end of each reporting year, for the purposes of preparation of consolidated reports, the parent company of the Group assesses, whether the balance sheet value of the amount indicated in the "Intangible value" position of the consolidated financial report has not decreased. The reviews of intangible value decrease are carried out each year or more often if there is an indication that the intangible value may have decreased. The formerly recognised losses of the intangible value shall not be reversed.

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 customs taxes and non-refundable transaction taxes paid by the buyer, deducting net discounts and rebates and other directly attributable transaction costs.

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

Intangible assets of limited useful life

Intangible assets of limited useful life are depreciated over their useful life, and their depreciation is estimated if there is an indication that the value of the intangible asset might have decreased. The depreciation period and depreciation method of the intangible assets of limited useful life is reviewed at least at the end of each financial year. The amendments in the expected useful life or the expected model of future economic benefits embodied in an asset are accounted changing the depreciation period or method upon necessity, or are considered changed in the accounting estimates.

Depreciation is accounted on the straight line basis, taking into account the useful life of the intangible asset, using the following rates laid down by the management:

Intangible assets	Method	% p.a.
Licenses	Straight line	20%-33.33%

Profit or loss incurred due to derecognition are disclosed as difference between the revenue from alienation of net assets and accounting value, and they are recognized through profit or loss at the moment of derecognition.

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, completion, 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 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 Assets	*Method*	*% p.a.*
Temporary use buildings	Straight line	10%
Infrastructure objects and engineering structures	Straight line	3.33% – 20%
Other fixed assets	Straight line	20% – 50%
Computing equipment	Straight line	33.33%
Used cars	Straight line	20%
New cars	Straight line	14.29%

Depreciacion is calculated starting from the month following the transfer of the fixed asset to use or inclusion in economic activity. Depreciation is not being calculated and accounted for those fixed assets, whose properties do not change in the course of their use and have unlimited useful life. Such fixed assets are pieces of art. Land is not depreciated.

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 signed 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.

Present value is estimated using a discount rate before taxes that reflects the market rate for the specific cash flows and risks attributable to the asset. When determining the value less costs to sell an appropriate measurement method is used. These calculations are confirmed using measurement coefficients, exchange quoted share prices or other available fair value indicators.

Losses from asset impairment are recognized through profit and loss as non-financial asset impairment. On each reporting date the Group / Company reviews, whether there are any indicators of depreciation losses which for an asset, except the intangible value, recognised in previous years, might not exist anymore or might have decreased. If such indicators are present, the Group / Company estimates the recoverable value of the asset or the cash generating unit since the last time its impairment was recognised. 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 though the profit and loss statement. Dividend received from subsidiaries are recognized in the period in which the right to receive dividends arose.

i) Contract Balances

Contract assets

A contractual asset is the Group's right to receive consideration in exchange for goods or services that the Group has transferred to a customer. If the Group's company delivers goods or services to the customer before the customer pays the consideration or before the due date, the contract asset is recognized as a contingent consideration.

Trade receivables

Receivables are the unconditional right of the Group / Company to compensation (i.e. only the period of time must elapse before the payment of that compensation is due).

Contractual obligations

Contractual obligations are the obligation to deliver to the customer goods or services for which the Group's company has received compensation from the customer (or for which compensation is due from the customer). If the customer pays a consideration before the Group's company delivers the good or service to the customer, the contractual obligation is recognized when the payment is made or the payment is due (whichever occurs first). Contractual liabilities are recognized as revenue when the Group's company fulfils the terms of the contract.

j) Cash and cash equivalents

Cash and cash equivalents in the consolidated financial report include cash balances in banks and cash positions.

k) Long-term investments held for sale

In the Company's separate financial report the participation in the fixed capital of the subsidiaries, which it plans to sell, in accordance with IFRS 5 are accounted as long-term investments held for sale and are measures by the lowest of their accounting value or fair value, deducting sale transaction costs.

l) Provisions

General provisions
Provisions are recognized once the Group has a current duty (legal or practical) caused by some past event and there is a probability that the fulfilment of the duty will require outflow of economic gain generating resources from the Group, and it is possible to measure the volume of the duties reliably.

If the Group assumes that the costs necessary for accrual of provisions will be repaid partially or in full, for example, under an insurance agreement, then the repayment of these costs is recognized as a separate asset and only when it is practically known that these costs will actually be recovered. Costs related to any provisions in the consolidated comprehensive income are reflected having deducted the amounts recognized for repayment of costs.

In case time value of money has significant impact, provisions are accounted by discounting estimated future cash flow using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if such would exist. If discounting takes place, increase of provisions over time is recognized as financial costs.

m) Accrued revenue

Accrued revenue is recognised if the Group has legal or other type of revenue occurred in the result of past events and there is a possibility that the Group will have revenue, and such revenue can be reliably estimated and measured.

n) Accrued liabilities

Accrued liabilities are recognised if the Group has legal or other type of liabilities occurred in the result of past events and there is a possibility that there will be funds required for fulfilment of the liabilities, and such liabilities can be reliably estimated and measured.

o) Contingent assets and potential liabilities

This consolidated financial report does not recognise the potential liabilities. They are recognised as liabilities only if a probability that these funds will be paid, becomes justified enough. The contingent assets are not recognised in the consolidated financial report, and they are recognised only if a probability that the economic gains related to the transactions will be received by the Group company are justified enough.

p) Lease

On the lease start day the Group / Company determines, whether the agreement implies lease, i.e., whether the agreement or part of the agreement grants the rights to use the asset for a certain period of time against remuneration.

Group company is a lessor
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. The Group company accounts operating lease amendments as a new lease from the date it enters into effects, taking into account the lease payments made or accrued previously under initial lease as a part of lease payments for the new lease.

Real estate lease agreement terms

The Group companies have concluded numerous short term and long term real estate lease agreements of various maturities. The provisions of the agreements, including irrevocable period, deposit amount, procedure of using or paying the deposit or bank guarantee, procedure of paying the rent, compensation of losses, are set out for each tenant individualy. Deposits provided in the lease agreements 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.

Deposits that are to be returned to the tenants, the Group may withhold partially or in full, if the debtor's debt has not been paid or there are any other violations of the agreement. Lease agreements imply an extension option. Upon calculating current annual rent, the rent indexation is applied in accordance with the inflation rate in the country.

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

Group company is tenant

Group / Company is applying unified recognition and measurement approach to all lease agreements, except short-term rent and rent of low value assets. The Group recognizes lease liabilities to carry out rent payments and use rights assets confirming the right to use the underlying assets.

q) Recognition of revenue

The principal sources of the Group / Company's revenue are as follows:

i) Lease income

Regarding the investment properties, which are mainly held for gaining income from lease, the Group and the Company as a lessor concludes lease agreements, to which IFRS 16 "Leases" are applicable. The Group / Company as a lessor gains income from the operative lease of real estate, where all risks and rewards incidental to such asset ownership are not transferred to the lessee.

The rent payments for the operative lease are recognised as revenue on the straight line basis during the lease period. Initial direct costs incurred by obtaining operative lease are added to the accounting value of underlying asset, and such costs are recognised as expenses in the lease period by the same method as rent income.

ii) Revenue from contracts with customers

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.

Provision of services to tenants

In the lease agreements, which are subject to IFRS 16 "Leases", include services, which the Group / Company offers to its tenants, including management, maintenance, security services. These services are listed in the lease agreements and the charges are indicated separately in the invoice.

The Group / Company has determined that these services constitute separate non-lease (given separately from the right to use the underlying asset) elements and are subject to IFRS 16 "Revenue from contracts with customers". Revenue from the services (like maintenance and management) is recognized when the services are provided. The Group / Company attributes the remuneration provided in the contract to separate elements of the rent and services (non-lease) based on the appropriate separate service sale prices.

Revenue from construction projects

The Group concludes contracts about implementation of construction project, which implies construction works and construction project management services. In accordance with the concluded agreements, the Group company is the principal party performing the construction works and the manager of the project.

Regarding each performance duty that is carried out over time (for example, construction services), the Group recognizes revenue in the course of time, assessing the progress in complete execution of performance duty using resource method. In accordance with this method, the Group recognizes revenue based on the Group's invested resources with the purpose to execute performance duty (for example, the funds used, work hours spent, costs incurred, time or machine hours spent) in comparison to total estimated resources in order to execute performance duty.

iii) Income from disposal of real estate property

The Group concludes contracts with the clients about disposal of real estate. The disposal of real estate is one fulfilment duty, and the Group has determined that it is fulfilled at the moment the client is given control over the asset.

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.

r) 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.

In accordance with the Enterprise Income Tax Law, there is a 20% tax from gross amount applied to distributed and conditionally distributed profit, i.e., 20/80 of net disbursements. In the profit and loss calculation EIT is recognised as expenses in the reporting period when the said dividends were calculated, while for other objects of conditionally distributed profit – at the moment when the expenses occurred within the reporting period.

The taxable base will include:

- distributed profit (dividends calculated, payments equalled to dividends, conditional dividends) and
- conditionally 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.

s) 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.

t) 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.

u) 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.

v) 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's 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 company submitting the report or 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 clause 1;
- Person described in subclause 1 of clause 1 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 or a parent company of the entity preparing financial statements.

w) 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 12 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.

d) Long-term investments held for sale

Fair value of long-term assets held for sale is measured based on the estimated market price of the particular asset.

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, based on all the reasonably available and justifiable information, including future-oriented information.

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.

On each reporting date impairment analysis is carried out using provisions matrix in order to measure expected credit losses. Provisions rates are based on the number of defaulted days for various groups of client segments with similar models of losses. The calculation reflects the probability weighted outcome, time value of money and reasonable and justifiable information available on the reporting day about the past events, current conditions and future estimates about the further economic situation. Usually trade receivables are written off if upon termination of debt collection process they are impossible to recover and they are not subject to enforcement.

Information on the credit risk applicable to the Group's trade receivables using provisions matrix is provided below:

			Default period:			
On 31 December 2019	**TOTAL**	No default	< 30 days	31-60 days	61-90 days	> 90 days
Rates of expected credit losses		0.1437%	0.5712%	5.1874%	26.5298%	59.2259%
Gross accounting value	**343 252**	113 614	107 838	3 569	9 528	108 703
Expected credit losses	**67 872**	174	616	185	2 517	64 380

Liquidity risk

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

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

Interest rate risk

Interest rate risk – the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises in connection with loans, borrowings and deposits. Interest rate risk is impacted also by economic conditions and changes in average interest rates by banks. The Group/Company is exposed to cash flow risk caused by changes in interest rates as certain loans are carried at floating rates.

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 and disclosure of information

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.

Application of the new and amended standards and interpretations adopted by the EU

The Group / Company have adopted the following new standards and amendments to standards, and interpretations, including any consequential amendments to other standards, with a date of initial application of 1 January 2019.

a) IFRS 16 "Leases"

The standard is published on 13 January 2016; is valid for the reporting periods starting on 1 January 2019 or later. IFRS 16 "Leases" repels IAS 17 "Lease", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating lease – incentives" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease". IFRS 16 provides principles of recognition, assessment and disclosure of lease agreements and obligates the lessee to account all the lease agreements in accordance with a unified balance sheet model that is similar to the financial lease accounting in accordance with IAS 17.

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).

On the lease start day the lessee recognises the liability to make rent payments (i.e., the lease liability) and assets that represent the right to use the underlying asset during the rent period (i.e. right to use an asset). Lessees should separately recognise expenses on lease liabilities and depreciation costs of the right to use an asset.

Lessees should revaluate lease liabilities upon occurrence of certain events (e.g. amendments in the lease term, amendments in the future rent payments occurring upon change of index or rate used for determining such payments). Lessee usually recognises the amount of revaluation of lease liabilities as correction to the right to use an asset.

Lessor's accounting in accordance with IFRS 16 does not differ much from the accounting in accordance with IAS 17. Lessors continue classifying all lease agreements using the same classification principle as provided by IAS 17, and distinguish two types of lease: operative and financial lease agreements.

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 standard exceptions to leases that are short term, and leases of value that is not material.

Application of IFRS 16 has no significant impact on the financial reports of the Group / Company.

b) IFRIC 23 interpretation: Uncertainty over Income Tax Treatments

The interpretation was published on 7 June 2017 and is effective for annual periods beginning on or after 1 January 2019. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. In these circumstances a company recognises and measures the current tax or deferred tax assets of liabilities, applying requirements of IAS 12 and based on taxable profit (tax losses), taxable amounts, unused tax losses, unused tax loans and tax rates set upon applying this interpretation. These changes had no material impact on the financial statements of the Group / Company.

c) Amendments to IFRS 9 "Financial Instruments": Prepayment features with negative compensation

The amendments were published on 12 October 2017; effective for annual periods beginning on or after 1 January 2019. The Amendments IFRS 9 "Financial Instruments": Prepayment features with negative compensation" are intended for specifying particular classification of financial assets with prepayment features upon applying IFRS 9. The Amendments specify that assets having prepayment features with negative compensation can be disclosed at FVTPL or amortised costs if they comply with other provisions of IFRS 9. Implementation of these IFRS 9 amendments has not affected the financial statements of the Group / Company.

d) Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term investments in associates and joint ventures

The amendments were published on 12 October 2017; effective for annual periods beginning on or after 1 January 2019. 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. These amendments had no significant impact on the financial statements of the Group / Company.

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

The Amendments were published on 7 February 2018; effective for annual periods beginning on or after 1 January 2019. 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. These amendments had no significant impact on the financial statements of the Group / Company.

f) Annual Improvements to IFRSs 2015 – 2017 Cycle

Improvements were published on 12 December 2017; effective for annual periods beginning on or after 1 January 2019. The Annual Improvements to IFRSs 2015 – 2017 Cycle introduced amendments to two IFRS standards and amendments to two IAS standards and amendments to other standards and interpretations arising from them, which amend the accounting principles applicable to information disclosure, recognition and measurement. These amendments had no significant impact on the financial statements of the Group / Company.

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

The standards, that are published but not in force yet by the day the Group / Company submits its financial statements, are provided below. The Group / Company is planning to implement these standards (if applicable) when they enter into force.

a) Amendments in references to Conceptual Framework in IFRS Standards

The Amendments were published on 29 March 2018; effective for annual periods beginning on or after 1 January 2020. These amendments will help companies develop accounting policies in cases where no IFRS directly applies to the particular transaction, a new chapter is created for the estimations / measurements, framework for disclosure of information about financial performance, as well as specified definitions and other explanations applicable upon preparation of financial reports.

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

The Amendments were published on 31 October 2018; effective for annual periods beginning after 1 January 2020 or later.

c) Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"

The amendments were published on 26 September 2019; effective for annual periods beginning on or after 1 January 2020.

d) Amendments to IFRS 3 "Business Combination"

The Amendments were published on 22 October 2018; effective for annual periods beginning on or after 1 January 2020. It is not assumed that any of these amendments will have significant impact on the financial statements of the Group / Company. The Group / Company is planning to implement these standards, amendments and interpretations on the day they become effective.

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

a) IFRS 17 "Insurance Contracts"

The Standard was published on 18 May 2017; effective for annual periods beginning after 1 January 2021 or later. The new IFRS 17 "Insurance Contracts" standard fully replaces the currently effective IFRS 4 "Insurance Contracts". The essence of the new standard is to introduce a unified accounting approach for all companies that are concluding insurance contracts, as opposed to the interpretations possible under IFRS 4. The new standard will apply to all insurance and reinsurance contracts, as well as investment contracts with discretionary participation features if the issuer simultaneously signs also an insurance contract. The Group / Company has not assessed the impact of implementation of IFRS 17, but it believes that these amendments will not have significant impact on the financial reports of the Group / Company.

b) Amendments to IFRS 3 "Business Combination", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as well as annual improvements

The Amendments were published on 14 May 2020; effective for annual periods beginning on or after 1 January 2022.

c) Amendments to IAS 1 "Presentation of Financial Statements"

The Amendments were published on 23 January 2020; effective for annual periods beginning on or after 1 January 2022 or later. The amendments include classification of short-term and long-term liabilities. Further on one is obligated to disclose the criteria of classification of liabilities.

The Group / Company has assessed the impact of the new standard and the amendments of the standards, but it believes that the information will be disclosed in the financial statements, if necessary.

10. Revenue

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Operating income *	1 911 027	-	-	-
Income from management of premises	556 647	785 865	-	-
Revenue lease of premises	3 108 168	2 961 225	81 367	52 130
Revenue from utilities	278 793	-	-	-
Revenue from professional services	3 410	-	232 565	-
Discounts	(15 143)	-	-	-
Other revenue	46 989	94 748	71	286 843
Income resulting from the decrease of associate share capital**	-	-	-	723 638
Total	**5 889 891**	**3 841 838**	**314 003**	**1 062 611**

* Revenues from operating activities include revenues from real estate sales, project management and sales, construction, consulting services.

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

Revenue from construction services in excess of remaining obligations

		Planned performance			
	Amount of unfinished work as of 31.12.2019 EUR	1Q 2020. EUR	2Q 2020 EUR	3Q 2020 EUR	4Q 2020 EUR
Construction services *	9 372 472	2 494 117	2 867 135	3 930 625	80 595

* The table includes revenues arising from concluded contracts but construction services not performed at the end of the reporting period. The Group plans to perform the relevant construction services in accordance with the concluded agreements and recognize them in revenue during 2020.

11. Operating expenses

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Expenses for building maintenance, utilities	1 109 547	841 740	13 074	-
Amortization of equipment and intangible assets	177 382	10 435	11 072	10 435
Other operating expenses	1 015 594	556 005	9 729	5 937
Construction - related expenses	817 225	-	-	-
Value of acquisition costs of real estate sold	95 042	-	-	-
Transaction due diligence expenses	-	166 734	-	50 129
Personnel expenses	592 423	149 797	154 589	149 797
Total	**3 807 213**	**1 724 711**	**188 464**	**216 298**

The item “Other operating expenses” includes short-term lease expenses of the Group companies in the amount of EUR 1 238.

12. Administrative expenses

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2017 - 31.12.2017 EUR
Personnel expenses	301 677	203 115	267 368	203 115
Professional services*	323 817	183 661	139 622	71 137
Other administrative expenses**	61 768	75 776	23 036	58 775
Total	**687 262**	**462 552**	**430 026**	**333 027**

* The item “Professional services” includes expenses for the audit of the Company's separate and Group's consolidated financial statements in the amount of EUR 17 400 (2018: EUR 8 500).

** The item “Other administrative expenses” includes short-term lease expenses of the Group's companies in the amount of EUR 363.

13. Other income from economic activity

	Group 01.01.2019- 31.12.2019 EUR	Group 01.01.2018- 31.12.2018 EUR	NHC 01.01.2019- 31.12.2019 EUR	NHC 01.01.2018- 31.12.2018 EUR
Negative material value for added companies	473 553	-	-	-
Other operating income	70 689	67 475	-	54 905
Total	**544 242**	**67 475**	**-**	**54 905**

14. Interest and similar expenses

	Group 01.01.2019 - 31.12.2019 EUR	Group 01.01.2018 - 31.12.2018 EUR	NHC 01.01.2019 - 31.12.2019 EUR	NHC 01.01.2018 - 31.12.2018 EUR
Coupon payments for issued bonds	490 001	487 980	490 001	487 980
Interest expenses on loans	421 961	237 185	180 050	989
Total	**911 962**	**725 165**	**670 051**	**488 969**

15. Intangible assets

Group	Licenses EUR
Initial value as of 31 December 2017	**4 562**
Acquired during the reporting period	72
Initial value as of 31 December 2018	**4 634**
Accumulated depreciation as at 31 December 2017	**820**
Depreciation calculated during the reporting period	833
Accumulated depreciation as at 31 December 2018	**1 653**
Residual value as of 31 December 2017	**3 742**
Residual value as of 31 December 2018	**2 981**
Initial value as of 31 December 2018	**4 634**
Changes during the reporting period	4 354
Acquisition of subsidiaries	73 254
Initial value as of 31 December 2019	**82 242**
Accumulated depreciation as at 31 December 2018	**1 653**
Acquisition of subsidiaries	34 293
Depreciation calculated during the reporting period	2 427
Accumulated depreciation as at 31 December 2019	**38 373**
Residual value as of 31 December 2018	**2 981**
Residual value as of 31 December 2019	**43 869**

NHC	Licenses EUR
Initial value as of 31 December 2017	**4 562**
Acquired during the reporting period	72
Initial value as of 31 December 2018	**4 634**
Accumulated depreciation as at 31 December 2017	**820**
Depreciation calculated during the reporting period	833
Accumulated depreciation as at 31 December 2018	**1 653**
Residual value as of 31 December 2017	**3 742**
Residual value as of 31 December 2018	**2 981**
Initial value as of 31 December 2018	4 634
Changes during the reporting period	-
Initial value as of 31 December 2019	**4 634**
Accumulated depreciation as at 31 December 2018	**1 653**
Depreciation calculated during the reporting period	967
Accumulated depreciation as at 31 December 2019	**2 620**
Residual value as of 31 December 2018	**2 981**
Residual value as of 31 December 2019	**2 014**

16. Goodwill

Goodwill was recognized when the Group acquired a subsidiary NHC 5, SIA on 11 Feburary 2019 and Pillar Management, SIA, Pillar 23, SIA, Pillar Development, SIA, Hanzas Dārzs, SIA, New Hanza Center, SIA, Pillar, SIA and Pillar Holding Company, KS (see Note 34 “Business Combinations”). These dates are the date on which the Group obtains control of its subsidiaries. The main purpose of the acquisition of subsidiaries was to ensure efficient management of Pillar Group companies, including their real estate, to continue their development, increase their value in the medium and long term, as well as to realize their maximum financial potential.

Goodwill is allocated to the Group's cash-generating units, which are subsidiaries of the Group.

Group	Goodwill EUR
31 December 2018	**-**
Acquisitions of subsidiaries (see also Note 34)	3 285 936
31 December 2019	**3 285 936**

17. Fixed assets and costs of unfinished construction objects

Concern	Buildings and structures EUR	Land EUR	Investments in leased fixed assets EUR	Creation of fixed assets and costs of unfinished construction objects EUR	Infrastructure engineering structures EUR	Other fixed assets EUR	Total fixed assets (excluding advance payments) EUR
Initial value as of 31.12.2017	**-**	**-**	**-**		**-**	**61 622**	**61 622**
Purchased	-	-	-	279 146	-	38 410	317 556
Terminated	-	-	-	-	-	(30,682)	(30,682)
Initial value as of 31.12.2018	**-**	**-**	**-**	**279 146**	**-**	**69 350**	**348 496**
Accumulated depreciation as of 31.12.2017	**-**	**-**	**-**	**-**	**-**	**5,364**	**5,364**
Estimated depreciation	-	-	-	-	-	9 602	9 602
Acquisition of subsidiaries	-	-	-	-	-	(4 748)	(4 748)

Accumulated depreciation as of 31.12.2018	**-**	**-**	**-**	**-**	**-**	**10 218**	**10 218**
Residual value as of 31.12.2017	**-**	**-**	**-**	**-**	**-**	**56 258**	**56 258**
Residual value as of 31.12.2018	**-**	**-**	**-**	**279 146**	**-**	**59 132**	**338 278**
Initial value as of 31.12.2018	**-**	**-**	**-**	**279 146**	**-**	**69 350**	**348 496**
Purchased	-	-	-	658 451	-	419 665	1,078,116
Terminated	-	-	-	-	-	-	-
Acquisition of subsidiaries	848 293	11,712,018	-	-	7,568,676	3,673,874	23,802,861
Reclassification to investment property	-	(6,762,900)	-	-	-	-	(6,762,900)
Initial value as of 31.12.2019	**848 293**	**4 949 118**	**-**	**937 597**	**7 568 676**	**4 162 889**	**18 466 573**
Accumulated depreciation as of 31.12.2018	**-**	**-**	**-**	**-**	**-**	**10 218**	**10 218**
Estimated depreciation	4,588	-	-	-	43 917	126 450	174 955
Acquisition of subsidiaries	105 445	-	-	-	223 327	855 138	1,183,910
Accumulated depreciation as of 31.12.2019	**110 033**	**-**	**-**	**-**	**267 244**	**991 806**	**1 369 083**
Residual value as of 31.12.2018	**-**	**-**	**-**	**279 146**	**-**	**59 132**	**338 278**
Residual value as of 31.12.2019	**738 260**	**4 949 118**	**-**	**937 597**	**7 301 432**	**3 171 083**	**17 097 490**

	Buildings and structures EUR	Land EUR	Creation of fixed assets and costs of unfinished construction objects EUR	Infrastructure engineering structures EUR	Other fixed assets EUR	Total fixed assets (excluding advance payments) EUR
Initial value as of 31.12.2017	**-**	**-**	**-**	**-**	**61 622**	**61 622**
Purchased	-	-	-	-	38 410	38 410
Terminated	-	-	-	-	(30,682)	(30,682)
Initial value as of 31.12.2018	**-**	**-**	**-**	**-**	**69 350**	**69 350**
Accumulated depreciation as of 31.12.2017	**-**	**-**	**-**	**-**	**5,364**	**5,364**
Estimated depreciation	-	-	-	-	9 602	9 602
Depreciation of liquidated fixed assets	-	-	-	-	(4 748)	(4 748)
Accumulated depreciation as of 31.12.2018	**-**	**-**	**-**	**-**	**10 218**	**10 218**
Residual value as of 31.12.2017	**-**	**-**	**-**	**-**	**56 258**	**56 258**
Residual value as of 31.12.2018	**-**	**-**	**-**	**-**	**59 132**	**59 132**
Initial value as of 31.12.2018	**-**	**-**	**-**	**-**	**69 350**	**69 350**
Purchased	-	-	-	-	17,670	17,670
Initial value as of 31.12.2019	**-**	**-**	**-**	**-**	**87 020**	**87 020**
Accumulated depreciation as of 31.12.2018	**-**	**-**	**-**	**-**	**10 218**	**10 218**
Estimated depreciation	-	-	-	-	10 105	10 105
Accumulated depreciation as of 31.12.2019	**-**	**-**	**-**	**-**	**20 323**	**20 323**
Residual value as of 31.12.2018	**-**	**-**	**-**	**-**	**59 132**	**59 132**
Residual value as of 31.12.2019	**-**	**-**	**-**	**-**	**66 697**	**66 697**

Pledged assets

In accordance with the loan agreements of 21 August 2019 and the pledge agreements of 21 August 2019, 26 September 2019 and 15 October 2019, concluded between the Goup's company Pillar Contractor, SIA, registration no. 40103929498, and Reģionālā Investīciju bank, AS, registration no. 40003563375, Pillar Contractor, SIA fixed assets, for the acquisition of which the loan of Reģionālā Investīciju bank, AS was used, are pledged in favor of the bank. The maximum amount of the security shall be EUR 749 170. See also Note 30 "Loans and Bonds"

18. Investment properties

Group	**Investment property EUR**
As 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
As at 31 December 2018	**39 108 000**
Acquisition	964 344
Undertaken through acquisition of a new subsidiary	52 379 677
Reclassification from real estate held for sale	1 516 294
Reclassification to provisions	(183 500)
Reclassification from fixed assets	6 762 900
Reclassification to long-term investments held for sale (Note 28)	(15 800 000)
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	3 855 988
As at 31 December 2019	**88 603 703**

Pledged assets

In accordance with the loan and pledge (mortgage) agreements of February 7, 2018 concluded between the Group company NHC 4, SIA and the credit institution SEB banka, AS, NHC 4, SIA real estate - office and warehouse complex in Riga, Maskavas iela 462/464A, Riga serves as collateral for the loan. Sk. also Note 30 "Loans and bonds".

Pursuant to the loan agreement of 15 January 2019 concluded between the Company and ABLV Bank, AS in liquidation, the Company's claims against ABLV Bank, AS in liquidation are secured by a mortgage on the real estate owned by NHC 5, SIA - non-residential premises in Riga, Elizabetes iela 21A-102 and a plot of land and a five - storey administrative building located Riga, Elizabetes iela 23.

NHC	**Investment property EUR**
As at 31 December 2017	**748 000**
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	(59 000)
As at 31 December 2018	**689 000**
Revaluation result recognised in profit or loss as a gain on revaluation of investment property	11 000
As at 31 December 2019	**700 000**

The Group and NHC has no restrictions regarding sale of its investment property and has no contractual obligations to buy, construct or develop investment properties or carry out renovation, maintenance and improvements.

The fair value measurement for investment property of the Company at Elizabetes 21A–101, Riga, and Elizabetes 21A–103, Riga, based on a valuation by an external appraiser is estimated to be EUR 700 000. 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 of 6111 m^2 space 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 14 083 000 based on a valuation by an external appraiser. 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 66.50% (except the building at Brīvības gatve 214M, which at the end of the reporting period was free of tenants in order to start reconstruction works).

The fair value of the office and warehouse complex Piepilsētas, Krustkalni, Ķekavas Parish, Ķekavas District, owned by the Group company NHC 3, SIA is EUR 8 700 000 based on a binding offer submitted by a buyer. At the end of the reporting period, the occupancy of the real estate property owned by NHC 3, SIA was 99%.

The fair value of the warehouse complex owned by the Group company NHC 4, SIA located in Riga, Maskavas iela 462 and Maskavas 464A is estimated to be EUR 11 085 000 based on a valuation by an external appraiser. Additionally, NHC 4, SIA is developing a new A-class warehouse and logistics park at the same address. The value of this development project, measured at cost, as at 31.12.2019 amounts to EUR 937 500. The development property will be measured at cost in accordance with the accounting policy of the Group company until it is possible to estimate its fair value. The existing warehouse complex is rented out to one tenant, while the leasable area of the existing modern building exceeds 30 000 m^2.

The fair value measurement for investment property – office building at Elizabetes iela 23, Riga, and office premises at Elizabetes 21A–102, Riga, owned by Group company NHC 5, SIA, based on a valuation by an external appraiser is estimated to be EUR 8 382 000. The office building and the premises are rented out to a long-term tenant.

The fair value measurement for office building at Brīvības 275, Riga, owned by Group company Pillar 22, SIA, based on a valuation by an external appraiser is estimated to be EUR 1 560 000. The office building is rented out to a long-term tenant. The fair value measurement for investment property owned by Group company Pillar Development, SIA, at Hanzas iela 16A, on which a culture and entertainment venue "Hanzas Perons" is located, office building at Pulkveža Brieža iela 28A, a land plot of 3.2 ha intended for commercial construction, on a part of which there is a ticket parking for the visitors located, based on a valuation by an external appraiser, is estimated to be EUR 14 989 800. Additionally, a land plot owned by Pillar Development, SIA, at Hanzas Street is measured at cost in the amount of EUR 95 200.

The fair value measurement for investment property – land plots held for development at New Hanza territory in Riga, owned by Group company Pillar 23, SIA, based on a valuation by an external appraiser is estimated to be EUR 22 885 900. The total space of the land plots exceeds 12 ha.

The fair value measurement for investment property – land plots held for development at Mihaila Tāla iela 3 in Riga, owned by Group company New Hanza Centre, SIA, based on a valuation by an external appraiser is estimated to be EUR 8 500 000. The total space of the land plot is 1.8 ha, and it is planned to develop an office building of 64 000 m^2 on it. Currently zero stage construction works and pile boring works are completed.

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 shows the valuation methods used by appraisers to determine the fair value of investment property, as well as the most significant unobservable data:

Investment property	Valuation method	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Investment property of EUR 480 000 (in 2018: EUR 470 000) located in Riga, Elizabetes iela 21A, No. 103, Total area: 154.9 m2	In 2018 and 2019: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	Monthly rental income in the cash flow estimation period - 32.14 EUR/m^2, for the first year (2018: 31.33 EUR/m^2), 20.00 EUR/m^2 for further periods, based on the valid lease agreement for the first year, in subsequent periods - appraiser's estimate; Discount rate in the cash flow estimation period - 7.3% (2018: 7.3%); Cash flow estimation period - 5 years (2018: 5 years); Capitalization rate - 7% (in 2018: 7%).	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 and 2019: 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 EUR.	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 220 000 (in 2018: EUR 219 000) located in	In 2018 and 2019: Discounted cash flow model with a terminal	Monthly rental income in the cash flow estimation period - 19.00 EUR/m^2 for the first year (2018: 24.22 EUR/m^2), 19.38 EUR / m2	The estimated fair value would increase (decrease), if:

Riga, Elizabetes ielā 21A, No. 101 Total area: 75.7 m2	value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	for further periods, based on the valid lease agreement for the first year, in subsequent periods - appraiser's estimate; Annual revenue growth - 2% (2018: 2%), based on a valid lease agreement; Discount rate in the cash flow estimation period - 7.3% (2018: 7.3%); Cash flow estimation period - 5 years (2018: 5 years); Capitalization rate - 7% (in 2018: 7%).	- 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 and 2019: 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 2 966.	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 7 100 000 (in 2018: EUR 6 920 000) located in Riga International Airport, Tehnikas ielā 3, Total area: 6 556.4 m2	In 2019: The data used in estimating the fair value of an asset is based on the price of assets directly observable in the market. In 2019: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	In 2019: The value of the investment property is determined based on the purchase price agreed between the two unrelated parties in the purchase and sale transaction for the respective real estate. In 2018: Monthly rental income - 6.82 EUR/m^2 for office premises and EUR/m^2 for basement premises, based on the valid lease agreement; Annual revenue growth - 4%; Discount rate - 7.50%. Occupancy - 99%; Cash flow estimation period - 8 years; Capitalization rate - 7.50%.	The estimated fair value in 2018 would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the occupancy assumption would be higher (lower); - the cash flow forecast period would be longer (shorter); - the estimated sales price would be higher (lower) at the end of the forecast period.
Investment property of EUR 14 083 000 (In 2018: EUR 13 181 000, with building in Riga, Brīvības gatve 214N) vērtībā, located in Riga, Brīvības gatve 214M, Bērzaunes iela 1, Brīvības gatve 214B, Bērzaunes iela 7.Total: 27 391.78 m^2.	In 2018 and 2019: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	Buildings ir Riga, Bērzaunes iela1, Brīvības gatve 214B and Bērzaunes iela 7, Rīga: Monthly rental income - 5.13 EUR/m^2 (in 2018: 5.82 EUR/m^2), based on the terms of valid lease agreements and accepted rental rates for unleased premises Annual revenue growth - 2-3% (2018: was not forecasted); Discount rate - 8.50% (in 2018: 8.50%); Occupancy - 75 - 99% in the 1st year (2018: 80% in the 1st year); Cash flow estimation period - 3 years (in 2018: for buildings in Riga, Bērzaunes iela 1, Brīvības gatve 214B - 5 years, for a building in Riga, Bērzaunes iela 7 - 3 years); Capitalization rate - 8.50% (in 2018: 8.50%). Building in Riga, Brīvības gatve 214M: Leasable area after reconstruction - 14,674 m^2 (in 2018: 12,828 m2); Total reconstruction period - 3 years (in 2018: 3 years); Average reconstruction costs - 800 EUR/m^2 (in 2018: 317 EUR/m^2); The average monthly rent is 11.00 EUR/m^2 (in 2018: 4.92 EUR / m2); Discount rate - 8.50% (in 2018: 8.50%); Occupancy of the last period - 95% (in 2018: occupancy of the last period 85.60%);	The estimated fair value in would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the occupancy assumption would be higher (lower); - the cash flow forecast period would be longer (shorter); - the estimated sales price would be higher (lower) at the end of the forecast period.

		Cash flow estimation period - 4 years (2018: 5 years); Capitalization rate - 7.90% (in 2018: 8.50%).	
Investment property of EUR 8 700 000 (In 2018: EUR 7 560 000) located in Ķekavas nov., Krustkalni, Piepilsētas Total area: 14 153.50 m2	In 2019: The data used in estimating the fair value of an asset is based on the price of assets directly observable in the market. In 2018: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	In 2019: The value of the investment property is determined based on the purchase price agreed between the two unrelated parties in the purchase and sale transaction for the respective real estate. In 2018: Monthly rental income - 4.44 EUR/m^2 for warehouse premises and 5.40 EUR / m2 for office premises, based on valid lease agreements and accepted rental rates for unleased premises; Occupancy of leased office space - 95%; Occupancy of leased warehouse premises - 95%; Annual revenue growth - 2%; Discount rate - 8.45%; Capitalization rate - 8.50%; Cash flow estimation period - 4 years.	The estimated fair value in 2018 would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the occupancy assumption would be higher (lower); - the cash flow forecast period would be longer (shorter); - the estimated sales price would be higher (lower) at the end of the forecast period.
Investment property of EUR 11 065 000 (In 2018:EUR 10 758 000) located in Riga Maskavas iela 462, 464A, Total area: 27 874.9 m^2	In 2018 and 2019: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.	Monthly rental income - 3.24 EUR/m^2 (in 2018: 3.10 EUR/m^2), based on the valid lease agreement and accepted rental rates for unleased premises. Discount rate - 9.25% (in 2018: 9.25%); Occupancy - 99% (in 2018: 99%); Annual revenue growth - 2.5% (in 2018: 3%); Cash flow estimation period - 5 years (2018: 5 years); Capitalization rate - 8.5% (in 2018: 8.5%); Within the cash flow calculation, it is assumed that the part of the territory to be developed (~ 7.5 ha with low-value buildings) is being sold. The selling price is determined using the market data comparison method. Accepted price per square meter - 16.90 EUR/m^2 (in 2018: 16.20 EUR/m^2).	The estimated fair value would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the assumption of occupancy would be higher (lower); - the selling price of the part of the land plot (~ 7.5ha area) with demolished buildings would be higher (lower).
Investment property of EUR 8 382 000 vērtībā, kas located in Riga Elizabetes iela 23 and Elizabetes 21A, Nr. 102. Total area: 5 013.00 m^2.	In 2019 Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.naudas plūsmu.	Monthly rental income - 12.32 EUR/m^2, based on the valid lease agreement and accepted rental rates for unleased premises. Discount rate - 7.5%; Occupancy - 97%; Annual revenue growth - 2.5%; Cash flow estimation period - 5 years; Capitalization rate - 6.5%.	The estimated fair value would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the assumption of occupancy would be higher (lower).
Investment property of EUR 1 561 000 located in Riga, Brīvības gatve 275, Total: 1 417.90 m^2.	In 2019 Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided.naudas plūsmu.	Monthly rental income - 9.00 EUR/m^2 for office space, 3.15 EUR/m^2 for terrace area, based on the valid lease agreement. Discount rate - 7.65%; Occupancy - 98%; Annual revenue growth - 2.5%; Cash flow estimation period - 7 years; Capitalization rate - 7.65%.	The estimated fair value would increase (decrease) if: - revenue growth rate would be higher (lower); - discount / capitalization rates would be lower (higher); - the assumption of occupancy would be higher (lower).
Investment property of EUR 7 060 700 vērtībā, located in Riga, Hanzas iela 16A, (Hanzas Perons). Total area: 4 406 m^2.	In 2019: A method of calculating the renewal cost approach based on the sum of all the costs required to re-create a property equivalent to the property being valued in	Building construction replacement costs - 2,640 EUR/m^2; Land improvement costs - 158 EUR/m^2; Construction costs of external engineering networks - 40 EUR/m^2; External (economic depreciation) of real estate - 50%;	The estimated fair value would increase (decrease) if: - the market costs of building construction would be higher (lower); - home improvement market costs would be higher (lower);

	the current valuation situation. Comparable transaction method, based on which the market value is calculated using a comparison of similar real estate market transactions.	The market value of the land plot is 150 EUR/m^2.	- the costs of the market for the construction of external engineering networks would be higher (lower); - economic depreciation of the facilities would be lower (higher); - the market value of the land would be higher (lower).
Investment property of EUR 1 662 500 vērtībā, located in Riga, Hanzas iela 16A. Total area: 0.5 ha.	In 2019: A method of calculating the renewal cost approach based on the sum of all the costs required to re-create a property equivalent to the property being valued in the current valuation situation. Comparable transaction method, based on which the market value is calculated using a comparison of similar real estate market transactions.	Land improvement costs - 158 EUR/m^2; Construction costs of external engineering networks - EUR/m^2; External (economic depreciation) of the equipment - 50%; The market value of the land plot is 180 EUR/m^2.	The estimated fair value would increase (decrease) if: - home improvement market costs would be higher (lower); - the costs of the market for the construction of external engineering networks would be higher (lower); - economic depreciation of amenities would be lower (higher); - the market value of the land would be higher (lower); - the potential for property development would be better (worse).
Investment property of EUR 6 266 600 vērtībā, located in Riga, Mihaila Tāla iela 1, Mihaila Tāla iela 3. Total area of the land: 1.52 ha, Total area of the office building: 849.3 m^2	In 2019: A method of calculating the renewal cost approach based on the sum of all the costs required to re-create a property equivalent to the property being valued in the current valuation situation. Comparable transaction method, based on which the market value is calculated using a comparison of similar real estate market transactions.	Construction costs of external engineering networks - 40 EUR/m^2; The market value of the land plots - 240 EUR/m^2. Monthly rental income - 10 EUR/m^2 Discount rate - 7.5%; Load - 90%; Cash flow estimation period - 5 years.	The estimated fair value would increase (decrease) if: - the costs of the market for the construction of external engineering networks would be higher (lower); - the market value of the land would be higher (lower); - property development potential would be better (worse); - The discount rate would be lower (higher); - the assumption of occupancy would be higher (lower); - the location of the land plot in the quarter would be better (worse).
Investment property of EUR 78 600, located in Riga, Hanzas iela 16c, Rīgā. Total area: 0.09 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 86 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 183 300, located in Riga, Sporta iela 19 and land plots in New Hanza territory without address. Total area: 0.27 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot from 47 EUR/m^2 līto 85 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 14 128 000, locates in Riga, Mihaila Tāla iela 2, Sporta iela 14, Sporta iela 16, Hanzas iela 14C, Gustava Kluča iela 6,	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot from 175 EUR/m^2 to 204 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse);

Gustava Kluča iela 10, Aleksandra Laimes iela 1, Aleksandra Laimes iela 2, Aleksandra Laimes iela 3, Aleksandra Laimes iela 4. Total area: 7.59 ha			- access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 1 438 000, located in Riga, Aleksandra Laimes iela 5. Toatal area: 0.72 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 199 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 1 291 000, located in Riga, Mihaila Tāla iela 4. Total area: 0.64 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 204 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 2 110 000, located in Riga, Mihaila Tāla iela 5. Total area: 0.89 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 236 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 2 567 000, located in Riga Mihaila Tāla iela 7. Total area: 1.17 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 220 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 1 090 000, located in Riga, Mihaila Tāla iela 12. Total area: 0.54 ha	In 2019: Market approach: The market value is calculated by reference to transactions with similar real estate properties.	Market value of the land plot 199 EUR/m^2.	The estimated fair value would increase (decrease) if: - the location of the land plot in the quarter would be better (worse); - access would be better (worse); - communications provision / proximity would be better (worse).
Investment property of EUR 8 500 000, located in Riga, Mihaila Tāla iela 3. Total area: 1.80 ha	In 2019: Discounted cash flow model with a terminal value component at the end of the cash flow estimation period: The model is based on the discounted cash flow of the rental services provided. Market approach: The market value is calculated by reference to	Underground parking lot rent - 75 - 80 EUR / place per month; Load - 80% - 95%; Discount rate - 7.63%; Capitalization rate - 6.5%; Cash flow estimation period - 7 years; Market value of the land plot without engineering communications - 256 EUR / m2.	The estimated fair value would increase (decrease) if: - The discount rate / capitalization rate would be lower (higher); - the assumption of occupancy would be higher (lower); - the location of the land plot in the quarter would be better (worse); - access would be better (worse).

	transactions with similar real estate properties		

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

31.12.2019

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	2 627 953	4 495 293	585 595

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

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

31.12.2019

Period	Up to 1 year	1 to 5 years	5 years to lease agreement maturity
Lease revenue	24 280	12 110	-

31.12.2018

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

The average rent of the Group's investment properties at the end of the reporting period amounted to EUR 4.40, which was mainly due to the lower rent of warehouse space compared to other asset classes in the Group's investment property portfolio. The weighted average remaining lease term, calculated on the basis of the leased area (WALE) during 2019, has increased to 3.40 years compared to the same period a year earlier. At the end of the reporting period, the occupancy of the Group's investment properties reached 77% of the leasable area.

19. Participation in the capital of affiliated companies

	EUR
Balance sheet value 31.12.2017	**5 696 362**
Equity investment	
Exclusion of investment	(10 000)
Reduction of investment	(2 100 000)
Increasing investment	1 733 638
Balance sheet value 31.12.2018	**5 320 000**
Exclusion of investment	-
Reduction of investment	(28 125)
Reclassification of an investment	306 000
Reclassification of an investment to available for sale long - term investments	(1 200 000)
Increasing investment	118 474 055
Balance sheet value 31.12.2019	**122 871 930**

Group composition (NHC direct and indirect participation in companies):

Company name	Country of registration	Registration number	Number of shares owned 31.12.2019. %	Investment balance sheet value 31.12.2019. EUR	Equity value of the related company 31.12.2019. EUR	Profit / (loss) of the related company during the reporting period EUR
Segment 1 - Service companies						
Pillar Management, SIA	Latvia	40103193211	100	2 840 000	1 085 230	(36 752)
Pillar RE Services, SIA	Latvia	40103731804	100 *		94 434	25 891
Pillar Contractor, SIA	Latvia	40103929498	100 *		1 738 800	486 875
Pillar Architekten, SIA	Latvia	40103437217	100 *		104 233	135 050
Hanzas Perons SIA	Latvia	40203032439	100	20 000	7 390	(1 901)
Segment 2 - Companies owning real estate objects held for development						
Pillar Development, SIA	Latvia	40103222826	100	30 740 000	30 801 090	336 026
Hanzas Dārzs, SIA	Latvia	40203078059	100	544 000	958 232	(12 313)
Pillar 23, SIA	Latvia	40203107574	100	22 560 000	22 896 218	1 993 842
New Hanza Centre, SIA	Latvia	40203037667	100	15 271 875	15 139 640	(2 245 867)
Pillar, SIA	Latvia	40103554468	100	2 885	740	(3 460)
Segment 3 – Companies owning lease revenue generating real estate objects						
NHC 1, SIA	Latvia	50103247681	100 **		1 287 989	354 650
NHC 2, SIA	Latvia	40103963977	100	3 000 000	3 517 862	(34 639)
NHC 3, SIA	Latvia	50103994841	100 **		3 442 808	926 373
NHC 4, SIA	Latvia	40203032424	100	1 100 000	3 870 057	557 643
NHC 5, SIA	Latvia	50203032411	100	8 393 170	8 524 140	241 984
Pillar 22, SIA	Latvia	50103966301	100 *		389 344	89 313
Segment 4 – Companies owning real estate objects held for sale						
Pillar 2, 12 & 14, SIA	Latvia	50103313991	100 *		624 758	(676 027)
Pillar 3, SIA	Latvia	40103193067	100 *		450 007	(238 460)
Pillar 4 & 6, SIA	Latvia	40103210494	100 *		5 659 495	(253 924)
Pillar 11, SIA	Latvia	40103258310	100 *		93 489	(117 422)
Pillar 18 SIA	Latvia	40103492079	100 *		42 787	(14 859)
Pillar 19, SIA	Latvia	40103766952	100 *		8 019 447	(63 845)
Pillar 20, SIA	Latvia	40103903056	100 *		807 406	(180 329)
Pillar 21, SIA	Latvia	40103929286	100 *		505 457	27 278
Pillar Holding Company, KS	Latvia	40103260921	100	38 400 000	38 387 728	178 844
Total				**122 871 930**	**148 448 781**	**1 473 971**

* Public participation in companies takes place through 100% control of the parent company.
** NHC 1, SIA and NHC 3, SIA have been disposed of as of the reporting date. Participation as of 31.12.2019. has been reclassified to non-current assets held for sale (see also Note 28). All other subsidiaries of the Company are included in these consolidated financial statements on a going concern basis.

Company name	Number of shares owned 31.12.2018. %	Investment balance sheet value 31.12.2018. EUR	Equity value of the related company 31.12.2018. EUR	Profit / (loss) of the related company during 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
Hanzas Perons, SIA	100	20 000	9 291	(4 751)
Total		**5 320 000**	**10 323 978**	**1 498 343**

The Company's investments in subsidiaries:

NHC	EUR
Balance sheet value 31.12.2017	**5 696 362**
Exclusion of investment	(10 000)
Reduction of investment	(2 100 000)
Increase of investment	1 733 638

Balance sheet value 31.12.2018	**5 320 000**
Reduction of investment	(28 125)
Reclassification of investments	306 000
Reclassification of investments to available for sale long - term investments	(1 200 000)
Increase of investment	118 474 055
Balance sheet value 31.12.2019	**122 871 930**

Reclassification and increase of investments

On 15 January 2019, the Company concluded a purchase agreement with ABLV Bank, AS in liquidation, under which the Company acquired 98.71% of shares of NHC 5, SIA for EUR 8 287 170 and gained control over it. At the moment of signing the agreement, the Company owned: 1.29% of NHC 5, SIA shares. The transaction was registered with the Register of Enterprises on 11 February 2019.

Business line of NHC 5, SIA is rent and management of own and rented property. NHC 5, SIA owns investment properties – office building at Elizabetes iela 23, Riga, and office premises at Elizabetes iela 21A-102, Riga of total space of 4324.9 m^2 and 689.4 m^2 accordingly. The company was acquired with the purpose to add strategically important real estate objects to the Group's investment real estate portfolio and increase lease revenue gained by the Group.

Information on reclassification of other investments is provided in Note 20 "Investment in other company share capital".

On 3 December 2019 at the shareholders' meeting of the Company there was a decision made on increase of fixed capital of the Company and pay for the new issue of shares by a material contribution. ABLV Bank, AS, in liquidation, the existing shareholder of the Company, paid up the new issue of shares by investing the shares of the following companies owned by it:

- 1,000,000 shares of Pillar Management, SIA, which constitute 100% of the fixed capital;
- 20,875,100 shares of Pillar 23, SIA, which constitute 99.05101% of the fixed capital;
- 10,000 shares of Pillar, SIA, which constitute 100% of the fixed capital;
- 39,450,000 shares of Pillar Development, SIA, which constitute 99.75% of the fixed capital;
- 690,000 shares of Hanzas Dārzs, SIA, which constitute 69.697% of the fixed capital;
- 25,228,125 shares of New Hanza Centre, SIA, which constitute 99.72% of the fixed capital;
- An investment belonging to limited partnership Pillar Holding Company, KS, which constitutes 100% of the fixed capital.

Following the increase of the fixed capital, the participation of the Company in Pillar Development, SIA and New Hanza Centre, SIA increased to 100%.

300,000 shares of Hanzas Dārzs, SIA, which constitute 30.303%, are owned by Pillar Development, SIA. Taking into account that after the material contribution, the Company owns 100% of Pillar Development, SIA, direct and indirect holding of the Company in Hanzas Dārzs, SIA, constitutes 100%.

200,000 shares of Pillar 23, SIA, which constitute 0.94899%, are owned by limited partnership Pillar Holding Company, KS. Taking into account that after the material contribution, the Company owns 100% of the limited partnership Pillar Holding Company, KS, direct and indirect holding of the Company in Pillar 23, SIA constitutes 100%.

Pillar Management, SIA, the subsidiary of the Company, owns shares of the following companies of the Group:

- 100% of Pillar Contractor, SIA shares;
- 100% of Pillar Architekten, SIA shares;
- 100% of Pillar RE Services, SIA shares.

Pillar Holding Company, KS, a limited partnership subsidiary of the Company, owns shares of the following companies of the Group:

- 100% of Pillar 3, SIA shares;
- 100% of Pillar 4 & 6, SIA shares;
- 100% of Pillar 11, SIA shares;
- 100% of Pillar 2,12&14, SIA shares;
- 100% of Pillar 18, SIA shares;
- 100% of Pillar 19, SIA shares;
- 100% of Pillar 20, SIA shares;
- 100% of Pillar 21, SIA shares;

- 100% of Pillar 22, SIA shares.

Reclassification of investments to long-term investments held for sale

Information about the Company's subsidiaries NHC 1, SIA and NHC 3, SIA and sale of real estate objects owned by them is provided in Note 37 "Subsequent events".

20. Participation in the capital of other companies

Group un NHC	Number of shares owned %	EUR
Balance sheet value 31.12.2017		**-**
Investment in New Hanza Centre, SIA	0.28%	100 000
Investment in Pillar Development, SIA	0.25%	100 000
Transfer of investment in NHC 5, SIA (remaining membership)	1.29%	106 000
Balance sheet value 31.12.2018.		**306 000**
Investment in New Hanza Centre, SIA	-	-
Investment in Pillar Development, SIA	-	-
Investment in NHC 5, SIA	-	-
Balance sheet value 31.12.2019.		**-**

In December 2019, after the acquisition of the remaining shares, the investment was reclassified to the Balance Sheet item "Investments in associated companies".

21. Financial instruments measured at fair value with representation in profit or loss statement

	Group 31.12.2019. EUR	Group 31.12.2018. EUR
Investments in fixed income debt securities *	6 809 699	-
Investments in shares	21 798	16 348
Total	**6 831 497**	**16 348**

Financial instruments measured at fair value with representation in profit or loss statement include investments in listed shares. The fair value of these capital shares is determined on the basis of published price quotes on an active market.

* Investments in fixed income debt securities include bond issue series purchased by the Company's subsidiary Pillar Holding Company, KS: ABLV FXD EUR 110718, ISIN code: LV0000802080, issue series: ABLV FXD EUR 030719, ISIN code: LV0000802288, issue series: ABLV FXD EUR 271019, ISIN code: LV0000802338, issue series: ABLV FXD EUR 270219, ISIN code: LV0000802338. Pillar Holding Company, KS has applied for the recovery of funds for the bonds of ABLV Bank, AS in liquidation held by it, which will be satisfied during the liquidation process of ABLV Bank, AS in liquidation, in accordance with the procedure specified in the Law on Credit Institutions of the Republic of Latvia. The management of the Group / Company believes that the funds for the bonds of ABLV Bank, AS in Liquidation are fully recoverable.

22. Real estate held for sale

The Group consists of companies that develop real estate, which they sell in the ordinary course of business, and have entered into agreements for the sale of certain of these properties.

	Group 31.12.2019. EUR	Group 31.12.2018. EUR
Real estate objects held for sale	20 336 187	-
Total	**20 336 187**	**-**

The movement of real estate objects, intended for sale, during the reporting period is given below:

Group	EUR
31 December 2018	**-**
Acquisition of subsidiaries	21 764 023
Reclassified to investment property	(1 516 294)
Reclassified from investment property	183 500
Sales (recognized in Statements of Profit and Loss item "Operating expenses")	(95 042)

31 December 2019	**20 336 187**

23. Trade receivables and contract assets

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Trade receivables at book value	343 252	67 853	-	1 888
Provisions for expected credit losses	(67 872)	-	-	-
Reclassification of trade receivables to non - current investments held for sale	(85,176)	-	-	-
Advance payments	296 487	-	-	-
Guarantee deposit	473 500	-	-	-
Total	**960 191**	**67 853**	**-**	**1 888**

Changes in provisions for expected credit losses

	Group 12/31/2019 EUR	Group 12/31/2018 EUR
Provisions for expected credit losses at the beginning of the reporting year	-	-
Increase / (decrease) in provisions for expected credit losses	67 872	-
31 December 2019	**67 872**	**-**

Trade receivables are stated and presented in the statement of financial position according to the original invoice amount, less provisions for expected credit losses. The carrying amount of trade receivables corresponds to their fair value.
As a result of the acquisition of subsidiaries, receivables increased by EUR 1 081 300 in 2019 (Note 33).

Information on buyer and customer credit risk management is provided in Note 8, which sets out how the Group and the Company manages the credit quality of their trade receivables.

24. Debts of related companies

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Trade receivables at book value	-	-	1 300 019	555 164
Outstanding share capital	-	-	28 125	-
Balances in bank accounts: ABLV Bank , AS in liquidation *	38 800 767	12 091 003	12 056 904	12 056 904
Together	**38 800 767**	**12 091 003**	**13 385 048**	**12 612 068**

Receivables from associates are accounted for and presented in the statement of financial position at the original invoice amount, less provisions for expected credit losses. The carrying amount of receivables from associates corresponds to their fair value.

* In respect of the funds of the Group's companies, which are held in the accounts of ABLV Bank in liquidation, AS, the Group companies have submitted creditors' claims. The submitted creditors' claims will be satisfied during the liquidation process of ABLV Bank, AS in liquidation, in accordance with the procedure specified in the Law on Credit Institutions of the Republic of Latvia. The management of the Group / Company believes that the funds in the accounts of ABLV Bank, AS in Liquidation are fully recoverable. In the 2018 financial statements, this amount was classified under "Other assets".

Receivables from associates are accounted for and presented in the statement of financial position at the original invoice amount, less provisions for expected credit losses. The carrying amount of receivables from associates corresponds to their fair value.

25. Loans to associated companies

	Interest rate	Group 31.12.2019	Group 31.12.2018	NHC 31.12.2019	NHC 31.12.2018

		EUR	EUR	EUR	EUR
Short - term part					
NHC 1. SIA	9.00%	-	-	2 030 000	2 070 000
NHC 2, SIA	3.90%	-	-	10 123 000	10 323 000
NHC 3, SIA	9.00%	-	-	1 750 000	1 502 000
NHC 4, SIA	9.00%	-	-	4 542 000	4 542 000
Hanzas Perons, SIA	3.90%	-	-	-	5 000
Total		**-**	**-**	**18 445 000**	**18 442 000**

Loans to associated companies include loans to subsidiaries in the form of a credit line. The interest rate on the loans is determined in accordance with the Group's regulations. Loans are unsecured. Loan repayment term is up to one year.

26. Other assets

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Accrued income	605 501	222 273	-	18 766
Future period expenses	175 788	83 906	36 105	42 130
Overpaid taxes	153 571	54 390	26 677	14 289
Other assets	967 384	116	28 125	116
Total	**1 902 244**	**360 685**	**90 907**	**75 301**

27. Cash and cash equivalents

	Group 31.12.2019. EUR	Group 31.12.2018. EUR	NHC 31.12.2019. EUR	NHC 31.12.2018. EUR
Balances in bank accounts	2 736 794	3 788 641	403 227	2 267 229
Cash	2 030	-	-	-
Kopā	**2 738 824**	**3 788 641**	**403 227**	**2 267 229**

For the purposes of the cash flow statement, cash and cash equivalents as at 31 December 2019 include:

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Balances in bank accounts	2 736 794	3 788 641	403 227	2 267 229
Cash	2 030	-	-	-
Balances of long - term investments held for sale in bank accounts	134 296	-	-	-
Together	**2 873 120**	**3 788 641**	**403 227**	**2 267 229**

28. Long-term investments held for sale / Liabilities directly related to long-term assets held for sale

The long-term assets that the Group / Company is not planning to use in long-term perspective anymore and about which there is a decision made to sell them are classified by the Group / Company as long-term investments held for sale.

In the reporting period, the Company made decision to sell 100% of investments in subsidiaries NHC 1, SIA and NHC 3, SIA, owned by it. In accordance with the decision made, the separate financial statement of the Company recognises these investments as long-term investments held for sale. In the Group's consolidated financial statement these assets of subsidiaries are classified as long-term investments held for sale, while the liabilities – as liabilities directly related to the long-term investments held for sale.

In 2019 the Company concluded a memorandum of understanding with a potential buyer about sale of shares of NHC 1, SIA, and NHC 3, SIA and real estate objects owned by them. On 10 January 2020, the Company concluded Share Sale Agreements (see also Note 37 "Subsequent events").

The principal groups of assets and liabilities of NHC 1, SIA, and NHC 3, SIA, which on 31 December 2019 were classified as held for sale are as follows:

	Group	Group	NHC	NHC

	31.12.2019. EUR	31.12.2018. EUR	31.12.2019. EUR	31.12.2018. EUR
Investment property	15 800 000	-	-	-
Share in capital	-	-	1 200 000	-
Money	134 296	-	-	-
Other assets	328 775	-	-	-
Total assets	**16 263 071**	**-**	**1 200 000**	**-**
Loans from credit institutions	7 249 624	-	-	-
Other liabilities:	224 906	-	-	-
Total liabilities	**7 474 530**	**-**	**-**	**-**

On 2 August 2016, NHC 1, SIA received loans in the amount of EUR 4 300 000 from ABLV Bank, AS in liquidation for partial refinancing of the loans issued to New Hanza Capital, AS for acquisition of real estate. The collateral of the loan was a real estate object at Tehnikas iela 3, at "Riga" airport in Mārupes District. After the reporting period NHC 1, SIA in the course of sale of its shares returned the received loan to ABLV Bank, AS in liquidation.

On 3 March 2017, NHC 3, SIA received a loan in the amount of EUR 4 000 000 from Swedbank, AS for partial refinancing of the loans issued to New Hanza Capital, AS for acquisition of real estate. The collateral of the loan was a real estate object – office and warehouse complex "Piepilsētas" at Ķekavas District, Krustkalni. After the reporting period, in the course of sale of shares of NHC 3, SIA, buyer refinanced the loan issued to NHC 3, SIA, in Swedbank, AS.

29. Share capital

Change of shareholders of the Company

On 16 January 2019, PREMIUM FINANCE GROUP, SIA, (reg. No. 40103210371), the shareholder of the Company, signed an agreement of sale of 750 000 (3%) shares of the Company owned by it in favour of ASG Resolution Capital, AS, (reg. No. 40203155131). The Company registered this transaction related to change of shareholders in the register of shareholders on 17 January 2019.

On 16 January 2019, PREMIUM FINANCE GROUP, SIA, (reg. No. 40103210371), the shareholder of the Company, signed a share exchange agreement about alienation of 750 000 (3%) shares of the Company owned by it in favour of ASG Resolution Capital, AS, (reg. No. 40203155131). The Company registered this transaction related to change of shareholders in the register of shareholders on 21 January 2019.

On 14 November 2019, ASG Resolution Capital, AS, (reg. No. 40203155131), the shareholder of the Company, signed a transfer agreement about alienation of 1 500 000 (6%) shares of the Company owned by it in favour of Cassandra Holding Company, SIA, (reg. No. 40003251208). The Company registered this transaction related to change of shareholders in the register of shareholders on 3 December 2019.

Increase of share capital of the Company

In December 2019, the Company increased share capital by EUR 90 317 119 by issuing registered shares paid up by material contribution through investing in the fixed capital of the Company the shares owned by ABLV Bank, AS in liquidation as current shareholder of the Company in the following limited liability companies: Pillar 23, SIA Pillar Management, SIA Pillar, SIA Pillar Development, SIA Hanzas Dārzs, SIA New Hanza Centre, SIA, as well as investment in the limited partnership Pillar Holding Company, KS owned by ABLV Bank, AS in liquidation as a partner.

On 31 December 2019, the share capital of the Company constituted EUR 115 317 119, which consists of 115 317 119 ordinary registered shares with voting rights, face value of each share amounting to EUR 1; all share capital is paid up in full.

Taking into account that the price of one share of the Company before the new share issue was higher than its nominal value of EUR 1, a share issue premium of EUR 19 869 766 is formed as the difference between the value of the property investment and the nominal value of the new shares.

Registered shares with voting rights provide equal rights to receiving dividends and voting rights at the shareholders' meeting.

	%	Group 31.12.2019. EUR	%	Group 31.12.2018. EUR	%	NHC 31.12.2019. EUR	%	NHC 31.12.2018. EUR
ABLV Bank, AS in liquidation	97.4	112 317 119	88	22 000 000	97.4	112 317 119	88	22 000 000

PREMIUM FINANCE GROUP, SIA	-	-	6	1 500 000	-	-	6	1 500 000
Cassandra Holding Company, SIA	2.6	3 000 000	6	1 500 000	2.6	3 000 000	6	1 500 000
Total	**100**	**115 317 119**	**100**	**25 000 000**	**100**	**115 317 119**	**100**	**25 000 000**

30. Loans and bonds

	Group 31.12.2019 EUR	Group 31.12.2018 EUR	NHC 31.12.2019 EUR	NHC 31.12.2018 EUR
Long term loans from credit institutions	2 734 785	9 956 521		-
Other long-term loans of related companies	540 000	-	540 000	-
Loans to associates	13 750 000		9 750 000	
Issued debt securities (bonds)*	8 956 052	8 956 052	8 956 052	8 956 052
Total long-term loans	**25 980 837**	**18 912 573**	**19 246 052**	**8 956 052**
Short-term part of long-term loans from credit institutions	315 257	568 196		-
Short term part of issued debt securities (bonds)	1 043 948	1 043 948	1 043 948	1 043 948
Accrued interest on long term loans		12 055		-
Accrued liabilities for coupon interest payments on issued debt securities (bonds)	101 425	101 424	101 425	101 424
Other loans of related companies			1 150 000	
Total short-term loans	**1 460 630**	**1 725 623**	**2 295 373**	**1 145 372**
Total long- and short-term loans	**27 441 467**	**20 638 196**	**21 541 425**	**10 101 424**

Changes in loans	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
At the beginning of the reporting period	**20 638 196**	**18 542 626**	**10 101 424**	**10 560 920**
Loans received	10 290 000	3 000 000	11 440 000	-
Loans repaid	(589 281)	(902 946)	-	(457 152)
Taken over upon acquisition of a new subsidiary	4 352 175	-	-	-
Reclassify to Assets held for sale/Liabilities directly related to long-term investments held for sale	(7 249 624)	-	-	-
Changes in accrued loan and coupon interest liabilities	1	(1 484)	1	(2 344)
At the end of the reporting period	**27 441 467**	**20 638 196**	**21 541 425**	**10 101 424**

Loans by category of lender	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Related credit institutions	13 750 000	4 080 588	9 750 000	-
Other credit institutions	3 050 042	6 456 184	-	-
Other related borrowers	-		1 150 000	
Other borrowers	540 000		540 000	
Debt securities (bonds) issued	10 101 425	10 101 424	10 101 425	10 101 424
Total loans	**27 441 467**	**20 638 196**	**21 541 425**	**10 101 424**

Loans by maturity	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
< 1 year (short-term part of long-term loan)	19 750 630	1 725 623	2 295 373	1 145 372
1 - 5 years	11 690 837	18 912 573	19 246 052	8 956 052
Total loans	**31 441 467**	**20 638 196**	**21 541 425**	**10 101 424**

On 7 February 2018, NHC 4, SIA received a loan in the amount of EUR 3 000 000 from SEB banka, AS, interest rate – 2.6% + 3M EURIBOR Loan maturity date is 7 February 2023. The collateral of the loan was a real estate object – office and warehouse complex at Maskavas iela 462 and Maskavas iela 464A in Riga. The loan agreement provides that the borrowers once in six months calculate indicator of interest payment coverage and collateral values against loan. NHC 4, SIA complies with the provided thresholds of indicators and fulfils the requirements of conditions of the loan.

On 20 December 2018, Group company New Hanza Centre, SIA received a loan in the amount of EUR 4 000 000 from ABLV Bank, AS in liquidation in order to pay to the suppliers for the works carried out at the land plot at Tehnikas iela 3, Riga, owned by New Hanza Centre, SIA. Loan maturity date is 20 June 2020, which, taking into account the amount of creditor's claim of New Hanza Centre, SIA against ABLV Bank, AS in liquidation, it is planned to extend till the day the creditor's claim shall be satisfied in full.

Other loans and receivables from related companies

On 15 January 2019, the Company concluded a loan agreement with ABLV Bank, AS in liquidation in the amount of EUR 5,790,000. The company used this loan for acquisition of shares of NHC 5, SIA. Loan maturity date is 15 January 2021.

On 21 August 2019, Group company Pillar Contractor, SIA, received a loan in the amount of EUR 374 585 from Reģionālā investīciju banka, AS, for financing of acquisition of fixed assets (construction machinery), which are necessary for carrying out economic activity of Pillar Contractor, SIA. Loan maturity date is 20 February 2023. Interest rate – 4.5% + 6M EURIBOR. The collateral of this loan is the acquired construction machinery. The maximum amount of the security shall be EUR 749 170.

On 3 December 2019 the Company received a loan in the amount of distributed and retained profit of 2018 from its shareholders – ABLV Bank, AS in liquidation and Cassandra Holding Company, SIA. Loan amount: EUR 4 500 000. The loan is repayable on 31 July 2022 or as soon as the Company's creditor's claim against the ABLV Bank, AS in Liquidation is fully satisfied. Interest rate - 3.5%.

Debt securities issued (bonds)

* The currency of the bond issue is EUR (euro), the total nominal value of the issue is EUR 10,000,000 and the nominal value of the bond is EUR 1,000. The annual interest rate is fixed at 4.9%, with interest income paid twice a year. Their initial placement price is 100% of the face value. The issue date is 16 October 2017, the redemption date is 16 October 2022. As of 16 October 2019, the Company, as the issuer, has the right to redeem the bonds before maturity. The bonds were included in the regulated market of the Baltic debt securities list of the Nasdaq Riga stock exchange on 19 October 2017 (issue series: NHC FXD EUR 161022, ISIN LV0000802312). At the date of the bond issue, the financial liabilities were measured at fair value less directly attributable transaction costs.

32. Other liabilities and contract liabilities

	Group 31.12.2019. EUR	Group 31.12.2018. EUR	NHC 31.12.2019. EUR	NHC 31.12.2018. EUR
Long - term part				
Contractual obligations - security received from tenants	93 943	86 854	-	-
Short - term part				
Contractual obligations - security received from tenants	282 977	333 228	14 200	14 200
Contractual obligations - advances received	960 216	165	-	165
Deferred income	32 400	5 015	-	-
Outstanding share capital	13 371 875	-	-	-
Other creditors	6 472	-	566	-
Total	**14 747 882**	**425 262**	**14 766**	**14 365**

33. Operating segments

Profit or Loss Statement for the period from 01.01.2019- 31.12.2019

	Segment 1 - Service companies	Segment 2 - Companies owning real estate objects held for development	Segment 3 - Companies owning lease revenue generating real estate objects	Segment 4 - Companies owning real estate objects held for sale	Eliminated upon consolida-tion	Total
Net sales	2 312 836	131 913	4 067 779	140 355	(762 992)	**5 889 891**
Operating expenses	(1 779 163)	(323 159)	(1 969 270)	(136 792)	401 171	**(3 807 213)**
Gross profit	**533 673**	**(191 246)**	**2 098 509**	**3 563**	**(361 821)**	**2 082 678**
Sales expenses	(17 773)	(1 959)	(5 877)	(60 605)	50 034	**(36 180)**
Administrative expenses	(121 086)	(23 181)	(801 273)	(29 713)	287 991	**(687 262)**
Other operating income	4 345	-	65 090	1 254	473 553	**544 242**
Other operating expenses	(13 625)	(4 251)	(72 034)	(4 757)	36	**(94 631)**
Other interest received and similar income	3 007	550	1 127 128	24 277	(1 154 962)	**-**
Interest paid and similar expenses	(5 147)	(25 935)	(2 033 490)	(2 352)	1 154 962	**(911 962)**
Investment property revaluation	-	1 983 250	1 872 738	-	-	**3 855 988**
Profit/(loss) before taxes	**383 394**	**1 737 228**	**2 250 791**	**(68 333)**	**449 793**	**4 752 873**
CIT	(1 315)	(200)	(49 972)	(978)	-	**(52 465)**

(Loss) / profit of the reporting period	**382 079**	**1 737 028**	**2 200 819**	**(69 311)**	**449 793**	**4 700 408**
Total segment assets as of 31.12.2019	**5 986 140**	**90 100 012**	**210 124 246**	**64 508 952**	**(173 852 899)**	**196 866 451**
Total segment liabilities as of 31.12.2019	**2 956 053**	**20 304 092**	**53 701 601**	**9 918 378**	**(35 021 921)**	**51 858 203**

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**
	39 775 599	**7 308 842**	**14 362 052**	**7 702 997**	**11 250 067**	**15 964**	**(24 335 732)**	**56 079 789**
Total segment assets as of 31.12.2019	**10 158 623**	**6 375 505**	**10 809 552**	**5 186 562**	**7 937 652**	**6 673**	**(19 015 733)**	**21 458 834**
Total segment liabilities as of 31.12.2019	146 878	498 347	1 306 335	725 034	1 165 244	-	-	**3 841 838**

34. Business combination

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.

On 3 December 2019, the Company increased share capital. The new issue shares were paid for by a material investment. The Company's existing shareholder - ABLV Bank, AS in liquidation - invested its shareholdings in the Company's equity of the following limited liability companies:

1) Pillar 23, SIA;
2) Pillar Management, SIA;
3) Pillar, SIA;
4) Pillar Development, SIA;
5) Hanzas Dārzs, SIA;

6) New Hanza Centre, SIA;
7) as a limited partner's investment in a limited partnership Pillar Holding Company.

As a result, on December 3, 2019, the Company acquired control over these companies.

As a result of the business combination, the Company acquired control over the subsidiaries of Pillar Management, SIA:
1) Pillar Contractor, SIA;
2) Pillar Architekten, SIA;
3) Pillar RE Services, SIA,

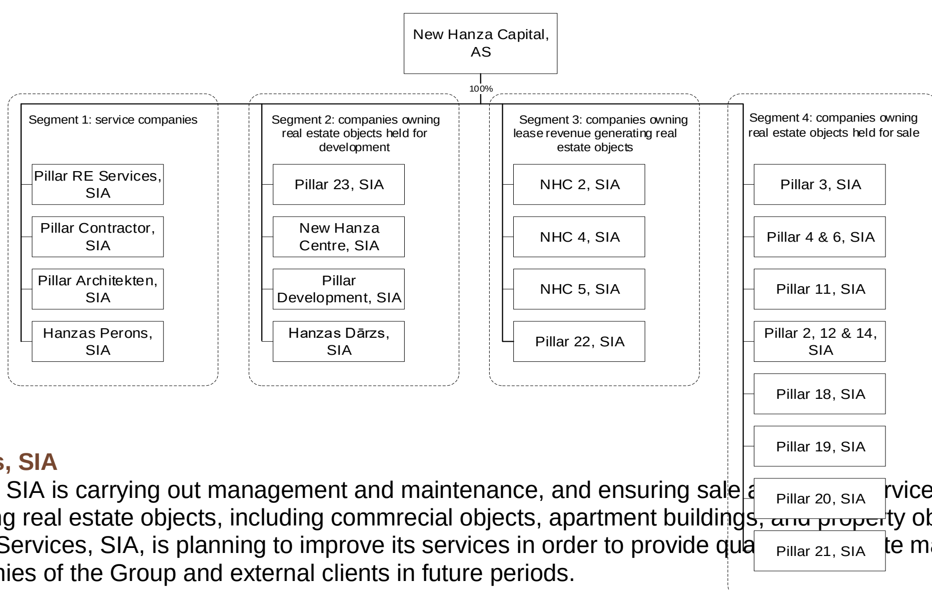
as well as over the subsidiaries of the limited partnership Pillar Holding Company, KS:
1) Pillar 3, SIA;
2) Pillar 4 & 6, SIA;
3) Pillar 11, SIA;
4) Pillar 2,12&14, SIA;
5) Pillar 18, SIA;
6) Pillar 19, SIA;
7) Pillar 20, SIA;
8) Pillar 21, SIA;
9) Pillar 22, SIA.

The Company's direct and indirect participation in subsidiaries is 100% (see also Note 19 “Participation in the capital of related companies”).

The business combination was aimed at ensuring efficient management of Pillar Group companies, hereinafter - Pillar Group companies, including their real estate, further development, increasing their value in the medium and long term, as well as realizing their maximum financial potential.

As a result of the addition of the Pillar Group, the Group:
- forms a group of companies having four lines of business and common management structure;
- ensures management of disposal of real estate objects held for sale;
- carries out real estate development, creating products that comply with the demand of the market participants and are competitive among the existing and upcoming projects on the market;
- carries out management and maintenance of the properties, including infrastructure objects, owned by companies of the Group and external clients, as well as lease of these properties with the aim to increase their lease revenue;
- provides management, accounting, legal, marketing and other services necessary for ensuring functioning of the abovementioned companies.

Structure of the Group by business segments after adding Pillar Group Companies:



Pillar RE Services, SIA

Pillar RE Services, SIA is carrying out management and maintenance, and ensuring sale a[illegible]rvices for the companies of the Group owning real estate objects, including commrecial objects, apartment buildings, and property objects at New Hanza territory. Pillar RE Services, SIA, is planning to improve its services in order to provide qua[illegible]te management services both to the companies of the Group and external clients in future periods.

Pillar Contractor, SIA

The company was founded with the aim to provide general contractor's services for the companies of the group of ABLV Bank, AS, in liquidation. Given the voluntary liquidation of ABLV Bank, AS in liquidation, starting from Q2 2018 the company is offering services of a general contractor to external clients as well. In future periods the company is planning to keep providing construction services to both companies of the Group and external clients. In the reporting period, Pillar Contractor, SIA, started development of a production department, acquired heavy machinery and technological equipment in order to carry out engineering construction works on the objects of the clients. In the result, Pillar Contractor, SIA, was able to get an order of external client about construction of engineering network and road at Roberta Hirša Street in Riga (New Hanza territory).

Pillar Architekten, SIA
The company operates with the aim to provide construction design, architecture and interior design services, as well as design management services. In future periods, the company, in cooperation with Pillar Contractor, SIA, is planning to offer a new service to both companies of the Group and external clients – design& build, which will enable the client to minimise the risks and costs related to the design and construction, in addition ensuring unified responsibility for the construction process.

Hanzas Perons, SIA
In the reporting period, Hanzas Perons, SIA (former NHC 6, SIA) started providing services of operator of culture and entertainment building "Hanzas Perons" owned by Group's company Pillar Development, SIA. The services include organisation of public and private events and renting the premises to other event organisers. In future periods Hanzas Perons, SIA, will continue ensuring operation of "Hanzas Perons" building, organising public and private events, promoting New Hanza territory.

Pillar Management, SIA
Before the company was added to the Group, the company was providing administrative services – accounting, legal support, record-keeping, financial planning services to the Company and companies of the Pillar Group.

Starting from 1 March 2020, the Company is providing administrative services (accounting, legal support, record-keeping, financial planning) to the companies of the group. In order to ensure fulfilment of the plan, the Company carried out staff rotation from Pillar Management, SIA to the Company. In future period, it is planned to suspend the operation of Pillar Management, SIA, or merge it with another company of the group.

Segment 2 – companies owning real estate objects held for development. Companies of this segment own real estate objects held for development at New Hanza territory.

Pillar 23, SIA
Pillar 23, SIA owns real estate objects – land plots intended for construction at New Hanza territory in Riga. The total size of the land plots exceeds 12 ha. In future periods, it is planned to develop residential and commercial properties on the land plots owned by the company.

New Hanza Centre, SIA
New Hanza Centre, SIA owns real estate – a land plot at Mihaila Tāla iela 3, Riga. The size of the land plot is 1.8 ha and it is planned to build an office building of 64 000 m^2 on it. Currently the works of zero stage and pile boring is completed. In future periods, it is planned to continue construction works, build a building and rent it to long-term tenants.

Pillar Development, SIA
Pillar Development, SIA owns several real estate objects at New Hanza territory in Riga – culture and entertainment venue "Hanzas Perons", office building at Pulkveža Brieža iela 28A, a land plot intended for commercial construction of 3.2 ha, on a part of which now there is a ticket parking, land under the streets and the engineering networks build across new Hanza territory, necessary for its further development. In future periods, in addition to management and lease of existing objects, the company is planning to develop several A-class office buildings that will be rented to long-term tenants, and it is planned to provide utility services (water supply, power supply, low-current network services etc.) to the users of all residential and commercial objects at New Hanza territory.

Hanzas Dārzs, SIA
Hanzas Dārzs, SIA owns a land plot of 1.55 ha, on which in future it is planned to build a park of New Hanza territory. After completion of the construction, the company is planning to rent it to short-term and long-term tenants.

Segment 3 – companies owning lease revenue generating real estate objects. The aim of the companies in this segment is to ensure stable income flow from use of commercial properties and contribute to the increase of their value in long-term perspective.

NHC 2, SIA
The company owns an office building in Riga in the area of former State Electrotechnical Factory at Brīvības gatve 214B, Brīvības gatve 214M, Bērzaunes iela 1, and Bērzaunes iela 7. The buildings are leased to short-term and long-term tenants. Additionally, in the reporting period, NHC 2, SIA, completed the project plan for reconstruction of building at Brīvības gatve 214M. that will

transform it into a modern A-class office building. The planned leasable area after the reconstruction amounts to 14 5000 m^2. In future periods, the company is planning to attract external financing for this project and use the available funds of the Group.

NHC 4, SIA
The company owns warehouse complex at Maskavas 462 and Maskavas iela 464A in Riga, which are leased to short-term and long-term tenants, an anchor tenant being Latakko, SIA, one of the Baltics' leading automotive industry companies. The principal lines of business of the tenant is retail and wholesale of tyres, batteries and oils for cars, trucks, agricultural, industrial vehicles and motorcycles. Additionally, in the reporting period NHC 4, SIA completed the project plan for construction of new A-class warehouses and logistics park on the land plot owned by the company. The space of the new warehouses will exceed 30 000 m^2.

NHC 5, SIA
The company owns an office building at Elizabetes iela 23 and office premises at Elizabetes 21A-102 in Riga. Both of these properties are leased to stable long-term tenants. In upcoming periods, NHC 5, SIA, is planning to increase income from leasing these premises and increase their value in long-term perspective.

Pillar 22, SIA
The company owns an office building Brīvības gatve 275 which is in long-term lease to Bonava Latvija, SIA, which is Northern Europe's leading developer of residential buildings. In future periods, Pillar 22, SIA, is planning to increase income from leasing these premises and increase their value in long-term perspective.

Segment 4 – companies owning real estate objects held for sale. Companies of this segment own real estate objects obtained in the course of restructuring of loans of clients of ABLV Bank, AS, in liquidation. The aim of companies in this segment is to carry out disposal of the properties in rather short time, at the same time avoiding significant decrease in price. Companies use services of the Group's company Pillar RE Services, SIA, for maintenance and organisation of sale.

Pillar 3, SIA
In the reporting period, the company owned several real estate objects held for sale – apartments, buildings, and land plots in Riga and Riga region, which the company is planning to sell in future periods.

Pillar 4 & 6, SIA
In the reporting period, the company owned a private residence in Jurmala and several land plots of mixed development in Riga and Jurmala, which the company is planning to sell in future periods.

Pillar 11, SIA
In the reporting period, the company owned a land plot intended for commercial construction at Čiekurkalna 3. Šķērslīnija 1A in Riga, which the company is planning to sell in future periods.

Pillar 2, 12 & 14, SIA
In the reporting period, the company owned several apartments in new apartment buildings in Riga at Lielezeres iela 10 and Miera iela 57A, which the company is planning to sell in future periods.

Pillar 18, SIA
In the reporting period, the company owned a private residence at Priedaines iela 42. in Riga, which the company is planning to sell in future periods.

Pillar 19, SIA
In the reporting period, the company owned a real estate object for development at Jūras iela 41/45 in Jurmala, which the company is planning to sell or develop in future periods.

Pillar 20, SIA
In the reporting period, the company owned an office building at Visbijas prospekts 5 in Riga, which the company is planning to sell in future periods.

Pillar 21, SIA
In the reporting period, the company owned commercial property – tile factory in Brocēni District, Cieceres Parish, Strīķi, which the company is planning to sell in future periods.

The table summarizes the fair values of the identifiable assets and liabilities recognized, net assets acquired, goodwill, claims and net cash and cash equivalents at the date of acquisition of the subsidiaries:

	NHC 5, SIA	New Hanza Centre, SIA	Pillar Development, SIA	Pillar, SIA	Pillar Management, SIA	Pillar 23, SIA	Hanzas Dārzs, SIA	Pillar Holding Company, KS
	11.02.2019	**03.12.2019**	**03.12.2019**	**03.12.2019**	**03.12.2019**	**03.12.2019**	**03.12.2019**	**03.12.2019**
Recognized fair value of identifiable assets and liabilities								
Asstets								
Intangible assets	-	-	1 169	-	35 674	-	-	-
Fixed assets	-	-	18 676 513	-	72 599	-	1 010 570	-
Participation in subsidiary companies	-	-	205 067	-	378 203	-	-	17 318 471
Receivables	52 521	125	73 492	-	358 657	-	-	3 174
Investment properties	8 094 000	14 229 734	10 211 586	-	-	21 086 150		-
Debts of associated companies	9 884	14 129 552	7 162 632	-		97 148	132 929	23 692 454
Other assets	64 505	486 050	296 510	1		22 909	3 297	52 032
Cash and cash equivalents	158 203	317 194	69 169	1 515	415 327	13 868	683	808 139
Total assest	**8 379 113**	**29 162 655**	**36 696 138**	**1 516**	**1 260 460**	**21 220 075**	**1 147 479**	**41 874 270**
Creditors								
Debts to suppliers	19 905	68 348	158 031	39	105 136	2 871	302	4 232
Debts to associated companies	12 370	13 900 000	4 850 000	-		275 000	185 000	3 500 000
Other creditors	85 584	35 184	684 995	-		6 523	2 669	
Total creditors	**117 859**	**14 003 532**	**5 693 026**	**39**	**105 136**	**284 394**	**187 971**	**3 504 232**
Total identifiable net assets	**8 261 254**	**15 159 123**	**31 003 112**	**1 477**	**1 155 324**	**20 935 681**	**959 508**	**38 370 038**
	100%	100%	100%	100%	100%	99.05101%	69.69697%	100%
	8 261 254	**15 159 123**	**31 003 112**	**1 477**	**1 155 324**	**20 737 003**	**668 748**	**38 370 038**
Investment in subsidiaries by the acquired subsidiary			**(205 067)**		**(378 203)**			**(17 318 471)**
Identifiable net assets of subsidiaries owned by the acquired subsidiary			**290 760**		**1 483 392**			**16 711 058**
Remuneration	8 287 170	15 171 875	30 640 000	2 885	2 840 000	22 560 000	544 000	38 400 000
Existing participation	106 000	100 000	100 000					
	8 393 170	**15 271 875**	**30 740 000**	**2 885**	**2 840 000**	**22 560 000**	**544 000**	**38 400 000**
Goodwill	**131 916**	**112 752**	**(348 805)**	**1 408**	**579 487**	**1 822 997**	**(124 748)**	**637 375**
Cash and cash equivalents of the acquired subsidiary	158 203	317 194	69 169	1 515	670 543	13 868	683	1 442 299
Net cash and cash equivalents	**8 128 967**	**317 194**	**69 169**	**1 515**	**670 543**	**13 868**	**683**	**1 442 299**

The goodwill of Pillar Development, SIA as of the date of acquisition on 3 December 2019 was negative and amounted to EUR 348 805. This amount is included in the statement of comprehensive income under “Other operating income”. The subsidiary Pillar Development, SIA and its subsidiaries were acquired at a price lower than the fair value of its net assets, taking into account changes in the value of their net assets at the time of their valuation and conclusion of the transaction.

The goodwill of Hanzas Dārzs, SIA as of the date of acquisition on 3 December 2019 was negative and amounted to EUR 124 748. This amount is included in the statement of comprehensive income under “Other operating income”. The subsidiary Hanzas Dārzs, SIA was acquired at a price lower than the fair value of its net assets, taking into account changes in the value of its net assets at the time of their valuation and conclusion of the transaction.

Goodwill is primarily related to the benefits expected from the ability of the Group's companies under a single brand and the expected synergies and other benefits that could result from the combination of acquired subsidiaries and the Group's assets and operations, to ensure real estate management, to continue their development, to increase their value in the medium and long term, as well as realize their maximum financial potential.

35. Personnel costs and number of employees

	Group 31.12.2019	Group 31.12.2018	NHC 31.12.2019	NHC 31.12.2018
Average number of employees	100	7	9	7
including: Board of the Company	7	2	2	2

Remuneration of key management personnel

	Group EUR	NHC EUR
Remuneration of the Board	14 671	6 533
Mandatory state social insurance contributions of the board	3 534	1 574

During the reporting period, until the change of the Management Board in December 2019, no remuneration was calculated for the members of the Board for their work in the Board, as well as there were no transactions with the members of the Board and the Company's management. The members of the Board hold paid positions - Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Development Officer and Chief Legal Officer. In the Company's subsidiaries no remuneration was calculated for the members of the Board for their work on the Management Board. The new Board, appointed as of December 11, 2019, will perform its duties for a fee.

36. Related party transactions

Parent company and beneficial owner

The Company is controlled by the following company:

	Registration number	Legal address	Registration country	Participation
ABLV Bank, AS in liquidation	50003149401	Skanstes iela 7 k-1, Riga, LV-1013	Latvia	97.4%

The Company's statement of profit or loss and other comprehensive income for the financial years 2019 and 2018, as well as the statement of financial position as at 31 December 2019 and 31 December 2018, includes transactions and balances with related parties. Transactions between the Group / Company and its related parties take place at market prices and their justification is reflected in the Group's / Company's transfer pricing policy.

Transactions and amounts are the following:

Group related party	Transaction	31.12.2019	31.12.2018
ABLV Bank, AS in liquidation	**Assets**		
	Cash and cash equivalents	-	-
	Debt instruments	6 809 699	-
	Deferred expenses	35 290	50 872
	Accrued income	302	-
	Fixed assets	554 105	1 704
	Debts of relates companies	38 835 482	12 092 569
	Liabilities		
	Loan	-	4 077 144
	Due to related parties	17 732 224	8 298
	Settlements with suppliers	55 370	-
	Other creditors	13 371 875	-
	Accrued liabilities	93 852	-
	Profit and loss statement	-	-
	Services rendered	88 708	712
	Services received	24 483	46 051
	Low value equipment purchase	43 418	148
	Interest expenses	263 922	72 798
	Interest income	-	30 000

	Assets	**31.12.2019**		**31.12.2018**
Parties related to shareholders	Unfinished construction	-		451 886
	Participation in the capital of related companies	-		306 000
	Debts of related companies	-		1 287
	Trade receivables	11 899		-
	Accrued income	2 741		-
	Liabilities			
	Other loans	540 000		-
	Debts to suppliers	8 501		-
	Debts of related companies	-		91 066
	Other creditors	186 351		-
	Accrued liabilities	7 332		-
	Profit and loss statement	**01.12.2019.- 31.12.2019***	**01.01.2019.- 30.11.2019****	**2018**
	Services received	5 018	530 104	471 301
	Interest expense	21 809	224 621	27 325
	Interest income	1 450	4 708	3 432

* Includes services received / provided from related parties after the expansion of the Group.

** Includes services received / provided from related parties prior to Group expansion.

Group related party	Transaction		
ABLV Bank, AS in liquidation	**Assets**	**31.12.2019**	**31.12.2018**
	Debts of related companies	12 056 903	12 056 003
	Deferred expenses	28 016	38 892
	Fixed assets	19 055	1 704
	Liabilities		
	Debts to related companies	9 750 000	-
	Settlements with suppliers	5 947	8 298
	Accrued liabilities	55 188	-
	Profit and loss statement	**31.12.2019**	**31.12.2018**
	Services received	17 418	36 955
	Interest expense	182 597	989
	Interest income	-	30 000
	Expenses on financial assets	-	3 998

Parties related to shareholders	Assets	31.12.2019	31.12.2018
	Contributions to share capital	-	306 000
	Due from related parties	-	1 287
	Accrued income	-	198
	Liabilities		
	Other loans	540 000	-
	Debts to related companies	-	3 300
	Accrued liabilities	1 450	-

Profit and loss statement	31.12.2019	31.12.2018
Services received	-	55 707
Interest expense	-	27 325
Interest income	1 450	3 432

Intra NHC Group transactions	Assets	31.12.2019	31.12.2018
	Loans	18 445 000	18 442 000
	Due from related parties	1 300 019	555 164
	Contributions to share capital	122 871 930	5 320 000
	Other assets	28 125	-
	Accrued income	-	18 568
	Liabilities		
	Other Liabilities	1 150 000	-
	Settlements with suppliers	33 138	-

Profit and loss statement	31.12.2019	31.12.2018
Interest income	1 127 128	848 938
Dividends received	-	4 108 120
Services received	232 565	173 527
Services rendered	73 417	-
Interest expense	6 895	-

37. Subsequent events

Sale of Company’s subsidiaries NHC 1, SIA, and NHC 3, SIA, and real estate objects owned by them

On 10 January 2020 the Company concluded agreements with EfTEN Real Estate Fund III, AS (reg. No. in the Republic of Estonia: 12864036) of about selling 100% of shares of NHC 1, SIA and office buildings belonging to it at Tehnikas iela 3, Riga Airport, Mārupes District, and 100% of shares of NHC 3, SIA, and warehouse building owned by it at “Piepilsētas”, Krustkalni, Ķekavas District. The total amount of the transaction constituted roughly EUR 15,800,000. Under these share sale transactions there were also the loans issued by the Company to NHC 1, SIA and NHC 3, SIA returned.

As soon as all the terms and conditions of the share sale agreements were met, on 11 March 2020 the amendments in the register of the participants of NHC 1, SIA and NHC 3, SIA were registered in the Register of Enterprises.

On 11 March 2020, members of the Board of NHC 1, SIA and NHC 3, SIA, Arnolds Romeiko and Pēteris Guļāns resigned from the positions of the members of the board in the said companies.

Ensuring Company’s support functions for all the companies of the Group

In accordance with the plan of the Group of Companies, starting from 1 March 2020, the Company shall ensure all the basic functions previously ensured by the subsidiary Pillar Management, SIA, i.e., the support services (accounting, legal and project management services) to the companies of the Group, which essentially means starting a new type of operation for the Company. In order to execute this plan, the Company carried out personnel rotation from its subsidiary Pillar Management, SIA, to the Company.

The Company bought its bonds on the secondary market

In March 2020, the board of the Company made a decision by 30 April 2020to buy from the bondholders on the secondary market the own issued bonds (issue series: NHC FXD EUR 161022, ISIN: LV0000802312), which are listed in Nasdaq Baltic Bond List. In accordance with the decision made, by 30 April 2020, the Company bought the bonds for EUR 2 490 000 at face value from the bondholders on the secondary market, concluding separate agreements with the bondholders, willing to sell the bonds owned by them in accordance with the current offers in Nasdaq Riga trading system.

Implementation of a new investment project

In April 2020, the Board and the Council of the Company made a decision about implementation of a new investment project – development of A-class warehouse and logistics park worth EUR 18,300,000 on the territory owned by NHC 4, SIA, a subsidiary of the Company, located in Riga at Maskavas iela 462

It is estimated that the construction works will be completed by 31 July 2021. The new buildings are aiming to obtain BREEAM certificate that will confirm their high quality, energy efficiency and compliance with the world standards, as well as it is going to be the first warehouse in Latvia having BREEAM certificate.

Amendments in the investment calendar

In April 2020, the Company introduced changes in the dates of publishing the reports due to the state of emergency declared in the country and the restrictions imposed for limiting the spread of Covid-19 virus. New Hanza Capital, AS Group's consolidated and company's separate audited financial reports for the year that ends on 31 December 2019 will be published between 15.06.2020 and 19.06.2020.

Potential impact of Covid-19

In April 2020, the Company reported about the potential impact of Covid-19 on the economic activity, financial situation and performance. Given that on 11 March World Health Organization announced that the spread of the Covid-19 disease caused by coronavirus has reach the volume of a global pandemic, on 12 March Latvian government made a decision to declare the state of emergency in the country, which had an impact on business environment and the country's economy in general. Despite that starting from 9 June 2020 the emergency situation in the country is lifted, on the reporting day the situation is still uncertain and changing, and the precise volumes of impact on the Company cannot be clearly determined. Management of the Company and the companies belonging to the group is on the daily basis managing the negative economic risks caused by the consequences of limiting the spread of Covid-19 and is working on decreasing their impact on the Company and its subsidiaries.

In accordance with the specification and purposes of business of the Company and its subsidiaries, the Company puts its businesses in several separate segments. Having analyzed the impact of Covid-19 on the Company and the companies belonging to the group, the Company hereby provides analysis of the impact on each of the segments separately:

Segment 1 – service providers (Pillar Re Services, SIA, Pillar Contractor, SIA, Pillar Architekten, SIA and Hanzas Perons, SIA). The purpose of business of the companies in this segment is to gain income by rendering real estate management, construction, design and real estate operator's services to the companies of the group and external clients. Given the restrictions due to Covid-19, it is planned that the total turnover of the companies of this segment in 2020 will decrease by EUR 640 000, which will mainly be affected by the restrictions faced by Hanzas Perons, SIA, – the operator of the event venue Hanzas Perons, namely, restrictions to organise events gathering audiences and renting premises to event organisers. Additionally, the decrease in income is caused by the low demand for parking spots at New Hanza territory, which is managed by Pillar RE Services, SIA. Having assessed the potential decrease in revenues, the management of the Company assumed that the restrictions on gatherings related to event organization will be in effect for 6 months. For companies Pillar Contractor, SIA, and Pillar Architekten no decrease in income due to Covid-19 restrictions is anticipated.

Segment 2 – companies owning real estate held for development (Pillar 23, SIA, New Hanza Centre, SIA, Pillar Development, SIA and Hanzas Dārzs, SIA). The real estate portfolio of these companies includes properties at New Hanza territory, and before the development of each particular object is started the companies conduct no active business. The Company is assuming that Covid-19 restrictions will not affect the development plans of the companies in this segment and the value of their assets in long-term perspective.

Segment 3 – companies that own commercial properties generating lease income (NHC 2, SIA, NHC 4, SIA, NHC 5, SIA and Pillar 22, SIA). The purpose of business of companies in this segment is to ensure stable income flow from leasing the commercial properties owned by these companies and facilitate the growth of their value in long-term perspective. The portfolio of companies of this sector includes properties like VEF office buildings, logistics complex in Riga at 462 Maskavas, St., office building at 23 Elizabetes St., etc. There are industries affected by the Covid-19 restrictions among the tenants of these properties, who are facing decrease of demand for their products and services. Understanding their difficult times and in order to maintain a close long-term cooperation, the Company is looking for mutually acceptable solutions. If necessary, companies sign short-term amendments to their lease agreements, which provide discounts to their rent or partially postponing it to future periods, i.e., after the declared state of emergency ends. The estimated total decrease in revenue for the companies of this segment in 2020 is EUR 340 000. Additionally, the Company is carrying out negotiations with its service providers in an attempt to agree about decrease in costs related to the maintenance of the properties until the declared state of emergency period ends. Based on the opinions of industry experts, hotels and big shopping malls are going to experience significant negative impact in commercial properties sector due to Covid-19 restrictions. On the reporting day, the Company does not own any hotels or shopping malls.

Segment 4 – companies with real estate objects held for sale, which were obtained in the course of restructuring the loans of clients of ABLV Bank, AS, in liquidation (subsidiaries of Pillar Holding Company, KS). The purpose of business of these companies is to sell these properties within a certain period of time. It was planned to sell more than 70 objects owned by the companies of this segment in 2020. Due to Covid-19 restrictions and the uncertainty caused by its impact, the Company is assuming decrease in the number of transactions of sale of these properties in 2020 due to that a part of buyers in these uncertain times would be likely to postpone big purchases to future periods. The estimated total decrease in revenue in companies of this segment in 2020 is EUR 3 800 000. Having assessed the potential decrease in revenues, the management of the Company assumes that in 2020 there will be 30% of the planned volume of sale of properties will be carried out.

From the last day of the reporting year till the day of signing these Group's consolidated and Company's separate financial report there were no other events which would result in the need to introduce corrections in these financial statements.

38. Going concern

Despite of 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 2020 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.

Thanks to the transactions completed in March 2020 selling shares of two companies to an investment fund EfTEN Real Estate Fund III, AS, which implied sale of 100% of shares of companies NHC 1 and NHC 3 (owning AirBaltic headquarters in Riga airport and production and logistics complex in Ķekavas Region) for EUR 15 800 000, the Company has significantly decreased the Group's liabilities and gained free cash, which enable the Company and the Group to finance its operations, and fulfill their liabilities as well as to meet the coupon payments.

On 15 June 2020 Group cash and cash equivalents amounted to EUR 7 387 780.

In addition, in 2019 all Group companies have received a letter from ABLV Bank, AS in liquidation regarding the recognition of their creditor's claims against ABLV Bank, AS in liquidation.

The Group companies continue to receive lease payments from the Group's investment properties tenants and proceeds from the sale of real estate owned by Pillar Holding Company, KS subsidiaries. The majority of the Group's lessees are companies unrelated to the Group and the ABLV Bank, AS Group in liquidation. The payment discipline of tenants has not deteriorated compared to previous periods.

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*	Inga Vēvere *Member of the Board*

Riga, 19 June 2020

THIS REPORT IS SIGNED WITH A SAFE DIGITAL SIGNATURE AND CONTAINS TIMESTAMP

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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 60 of the accompanying separate and consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2019,
- 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 2019, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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.

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

We draw attention to Note 38 "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 2020 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.

Emphasis of Matter

We draw attention to Note 37 "Subsequent Events" of the separate and consolidated financial statements, which indicates the impact of the crisis caused by the coronavirus Covid-19 on the Group's and the Company's operations. 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.

In addition to the matters described in the *Material Uncertainty Relating to the Going Concern of the Company and Group* section and *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	**Our response**
Business combinations and goodwill (consolidated financial statements)	
The carrying amount of the goodwill in the Group's consolidated financial statements as at 31 December 2019: EUR 3 285 936. Goodwill is allocated to the Group's cash-generating units, which are the Group's companies. *Reference to the Notes to the Group's consolidated financial statements: Note 3 "Estimates un judgements", Note 6 "Significant accounting policies" item d) "Intangible assets" and Note 16 "Goodwill".* During 2019, the Group acquired a number of subsidiaries, including in the form of property contributions, and these acquisitions were accounted for as business combinations (IFRS 3), and include a number of significant and complex judgments in determining the fair value of acquired assets and liabilities. Given also the importance of the Company's and the Group's restructuring, we considered this issue to be one	Our procedures included, among others: • analyzed the restructuring plan of the Company and the Group; • conducted interviews with the Group's management, evaluated aspects of the applied valuation methodology; • obtained an understanding of process related to the acquisition accounting of subsidiaries; • evaluated the application of accounting policies to acquisitions of subsidiaries; • evaluated the methodology used to calculate goodwill; • assessed the accuracy and completeness of the information presented in the notes to the consolidated financial statements regarding the Group's goodwill and business combinations.

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Key audit matter	Our response
of our key audit matters.	
Valuation of investments in subsidiaries (separate financial statements)	
The carrying amount of investments in subsidiaries in the Company's financial statements as at 31 December 2019: EUR 122 871 930. *Reference to the Notes to the Company's financial statements: Note 6 "Significant accounting policies" item h) "Investments in subsidiaries" and Note 19 "Participation in the capital of affiliated companies".* Investments in subsidiaries are carried at cost less any accumulated impairment losses. 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 the Company's investments were restructured in December 2019 and that in the Company's statement on financial position as at 31 December 2019 the investments in subsidiaries amount to 78.19% of total assets, as well as the fact that the Company has issued significant loans to subsidiaries, we considered this issue to be one of our key audit matters.	Our procedures included, among others: • 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 2019, 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 2019: EUR 88 603 703. *Reference to the Notes to the Group's consolidated financial statements: Note 3 "Estimates and judgements", Note 6 "Significant accounting policies" item c) "Investment property" and Note 18 "Investment properties".* 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 (45% 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	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.

Nexia Audit Advice

Key audit matter	Our response
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.	

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 17 October 2019 to audit the separate and consolidated financial statements of New Hanza Capital, AS for the year ended 31 December 2019. Our total uninterrupted period of engagement is 2 years, covering the period ending 31 December 2019.

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 Audit Services of the Republic of Latvia we have not provided to the Company and Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No. 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit, we have not provided any services to the Company and the Group other than those disclosed in the Group Management Report or the Company's separate and the Group's consolidated financial statements.

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

Andrejs Ponomarjovs
Chairman of the Board,
Director General

Riga, Latvia
19 June 2020

THIS DOCUMENT IS SIGNED WITH A SAFE DIGITAL SIGNATURE AND CONTAINS TIMESTAMP