STOCK COMPANY "Baltic RE Group"
(REGISTRATION NUMBER 40103716434)

CONSOLIDATED AND PARENT COMPANY'S ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EU

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2016

CONTENTS

General Information

Name of the Parent company	Stock Company "Baltic RE Group"
Legal form of the Parent company	Stock Company
Registration number, place and date of registration of the Parent company	40103716434 Riga, 2 October 2013
Legal address of the Parent company	19 Skunu Street, Riga, LV-1050, Latvia
Reorganisation	10 December 2015, merged with LLC "HOE-GLOBAL PROPERTY SOLUTIONS"
Board	**Giovanni Dalla Zonca** (Head of the Board - right of sole representation)

Giovanni Dalla Zonca is CEO and co-founder of SC "Baltic RE Group".

Giovanni Dalla Zonca has extensive experience in real estate consulting and entrepreneurship. He worked for many years as a financial consultant for the real estate industry, and was founder and CEO of Renta, a primary Italian network of placement of real estate finance issued by Barclays Bank.

As a strategic consultant he has worked for over 10 years with leading Italian real estate funds and private investors in the retail real estate sector, assisting customers in the selection of investments, in the construction of the financing and in preparation of draft turnaround. Thanks to the experience as a direct investor in several European countries, in 2008 Giovanni Dalla Zonca was co-founder of Baltic RE Group, where he is currently partner and CEO.

Giovanni Dalla Zonca is associated member of Latvian Real Estate Association (LANĪDA), as well as holds a seat on LANĪDA developers' council. He also holds membership in the Baltic Chapter of the International Real Estate Federation (FIABCI).

Giovanni has graduated with honours in Economics from the University of Trieste.

Marco Chioatto (Member of the Board - together with all the rest of)

Marco Chioatto has Degree in Economics at Università di Venezia, he is Chartered Accountant in Padua, Italy.

He has been a Senior Partner in the Studio Associate Cantoni Chioatto a professional firm with 16 people including 7 Professionals and 9 employees. He works as an auditor and external auditor for companies (SpA and Srl) in Northeast of Italy.

From 1996 to 1998 he held the position of President of the Association of Young Chartered Accountants Padua. From 1998 to 2004 he held the position of Director and Vice President of the Association of Chartered Accountants of Padua. Marco Chioatto served until 2007 as Vice President of the Association of Chartered Accountants of north East of Italy. The Association currently has about 2 300 members.

Marco Chioatto has carried out on behalf of the Association of Chartered Accountants of Padua, to lecture at conferences in the Association itself and within the School for Practitioners Chartered Accountants of Padua.

Marco Chioatto has deepen experience as consultant in Real Estate field in Italy and abroad, participating in many deals for acquisition of real estate Fund, and buildings, and participating in managing Real Estate Fund.

Dina Abaja (Member of the Board - together with all the rest of)

Dina Abaja has more than 7 years' experience in high street real estate – retail, offices and mixed use centres management as key account for owners and tenants. Since 2004 Dina Abaja has been Member of the Board and Member of the Council in several companies.

Dina Abaja is engaged with commercial property management, administration of lease agreement changes and extensions, negotiations with tenants, technical maintenance supervision together with technical team, financial supervision together with the financial team and property marketing and advertising, consulting in regard to other property.

Since 2013 Dina Abaja is a Member of the Board of SC "Baltic RE Group". Her extensive experience as a Managing Director at LLC "HOE-GLOBAL PROPERTY SOLUTIONS" has allowed her to provide quality real estate market review, success in search of new tenants and development of the content of the Buildings.

Dina Abaja has Bachelor degree in Economics and International business affairs from the International Commercial University of Latvia.

Dina Abaja has participated in numerous professional trainings, exhibitions, and real estate conferences (including the Annual Baltic States Real Estate Conferences), seminars and she obtained significant specific professional experience and education in this field.

Raffaele Di Nardo (Member of the Board - together with all the rest of; till 25.02.2015)

Massimiliano Rossi (Member of the Board - together with all the rest of; till 25.02.2015)

Council	**Cesare Pizzul** (Chairperson of the Council from 11.04.2016) **Aleksandrs Mahajevs** (Deputy chairperson of the Council from 11.04.2016) **Edgars Murāns** (Member of the Council from 11.04.2016) *Sanita Ādmine (Member of the Council – till 28.07.2015)*
Principal Subsidiaries	**BALTIC RE SPA** Via Altinate 125, CAP 35100, Padua, (PD), Italy (SC "Baltic RE Group" owns 100%) **LLC "KEY 1"** 19 Skunu Street, Riga, LV-1050, Latvia (SC "Baltic RE Group" owns 25%, BALTIC RE SPA owns 75%) **LLC "Key 2"** 19 Skunu Street, Riga, LV-1050, Latvia (LLC "KEY 6" owns 100%) **LLC "KEY 6"** 19 Skunu Street, Riga, LV-1050, Latvia (SC "Baltic RE Group" owns 51.66%, BALTIC RE SPA owns 48.34%) **LLC "Key 15"** 19 Skunu Street, Riga, LV-1050, Latvia (SC "Baltic RE Group" owns 33%, LLC "KEY 1" owns 67%) **LLC "Skunu 19"** 19 Skunu Street, Riga, LV-1050, Latvia (BALTIC RE SPA owns 100%)
Activity Code (NACE 2.0 red)	Buying and selling of own real estate (68.10) Renting and operating of own or leased real estate (68.20) Real estate agencies (68.31) Management of real estate on a fee or contract basis (68.32)
Previous financial year	2 October 2013 – 31 December 2014
Financial year	1 January 2015 – 31 December 2015
Auditors	Marija Jansone Certified Auditor of the Republic of Latvia Certificate No.25
	LLC "Nexia Audit Advice" Reg.No. 40003858822 9-3 Grecinieku Street, Riga, LV-1050, Latvia Licence No.134

Nexia Audit Advice

Management Report

31 May 2016

General information

SC "Baltic RE Group" (hereinafter - the Parent company) mainly leases premises and provides real estate management services and is engaged in the development of the subsidiaries and cash rational investing. The Group "Baltic RE Group" includes SC "Baltic RE Group" and its subsidiaries: BALTIC RE SPA, LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" (hereinafter – the Group).

Core business activities of the Group companies

The Group companies mainly deals with the lease / rent of premises and real estate management services. The Parent company is also engaged in the strategic development of the subsidiaries. The Group's structure provides for each of the Group's subsidiaries to undertake specific building lease / rental services:

1) SC "Baltic RE Group" leases / rents real estate at the address 12/14 Kalku Street, Riga, LV-1050, Latvia. SC "Baltic RE Group" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies. Activity of SC "Baltic RE Group" is also strategic development of related companies. Within administration of related companies, the company provides services on economics, tax, finance, marketing, law and technical issues.
2) BALTIC RE SPA activity is the management of subsidiaries, strategic development and real estate research and development.
3) LLC "KEY 1" leases / rents real estate at the address 1 Kungu Street, Riga, LV-1050, Latvia. LLC "KEY 1" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
4) LLC "Key 2" leases / rents real estate at the address 2 Kramu Street, Riga, LV-1050, Latvia. LLC "Key 2" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
5) LLC "KEY 6" leases / rents real estate at the addresses 6-1 Kalku Street, LV-1050, Latvia and 6-1E Kalku Street, Riga, LV-1050, Latvia. LLC "KEY 6" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
6) LLC "Key 15" leases / rents real estate at the address 15 Kalku Street, Riga, LV-1050, Latvia. LLC "Key 15" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.
7) LLC "Skunu 19" leases / rents real estate at the address 19 Skunu Street, Riga, LV-1050, Latvia. LLC "Skunu 19" provides real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

Management's objectives and its strategies

The Group "Baltic RE Group" holds a major portfolio of historic buildings in Old Riga, where the Group continuously invests in and which in addition were reconstructed according to the wishes of new tenants — the representatives of well-known brands. The Group invests exclusively in this cluster being firmly convicted that a true "shopping experience" is and more and more will be possible only in the unique place in Riga - Old Riga. As a result, Old Riga will become a friendlier environment for Riga residents and its guests who want to have rest and enjoy shopping in the heart of the city. The Group acts with a very clear vision: the Old Riga has to be the city landmark, the place where to be, to walk, to do shopping and to have fun, as it is the heart and the soul of Riga.

This applied approach is rather new for Latvia - the Group manages its properties as shopping centres, but spread: thus, it's possible to significantly reduce the risk and simultaneously achieve for each tenant the benefits of a shared magnet effect.

Group's operations during reporting period

Group's operations during the reporting period were focused on the expansion of courses of action, improvement of work organization, which provides stable and consistent operations across all the Group's business units and the necessary financial support to them. During the reporting period active work with the Group's clients was carried out, as well as successful actions were taken in the research, development and implementation of new activities.

In February 2015 SC "Baltic RE Group" made an ambitious real estate financing transaction; as a result the central street in Riga's Old Town - Kalku Street - will become a family-friendly shopping street. Therefore, a huge plan of territorial marketing is going to start at Kalku Street, to attract even more clients, young people and families. This transaction is unique in its essence, as the so-called "high street retail" — real estate business for retail is difficult to assess, it requires in-depth expertise, evaluation of various factors and close cooperation with business partners.

In early 2015 the Group's reorganization took place - acquisition of additional interest in subsidiaries, as a result the Parent company's direct and indirect holding in subsidiaries comprises 100%.

In February 2015 the Parent company SC "Baltic RE Group" acquired 100% of the share capital and voting rights of LLC "HOE-GLOBAL PROPERTY SOLUTIONS" registered in Latvia and obtained control of it. The company was acquired in order to expand activities, combine resources, improve administrative processes and use more efficiently the infrastructure. LLC "HOE-GLOBAL PROPERTY SOLUTIONS" activity is management of real estate on a fee or contract basis, renting and operating of own or leased real estate, real estate agencies, legal activities, accounting, bookkeeping and auditing activities, tax consultancy, as well as business and other management consultancy activities.

On 9 July 2015 the Board of the Parent company SC "Baltic RE Group", based on the parts 1 and 2 of the Section 354.[3] of the "Commercial Law", has made a decision on reorganisation - merger, when acquiring company SC "Baltic RE Group" merged with 100% owned merging company LLC "HOE-GLOBAL PROPERTY SOLUTIONS". The reorganization was completed on 10 December 2015.

The Group's net turnover for the year ended 31 December 2015 is EUR 3 241 121. The Group ended the reporting period with a profit of EUR 1 182 182. During the reporting period the Parent company increased the share capital up to EUR 24 853 452 through the capitalization of debt and equity contributions. The Group's equity as at 31 December 2015 is positive and amounts to EUR 24 089 320.

Financial results of the Group's commercial activity and financial standing of the Group

The analysis of the Group's consolidated financial statements shows, that consolidated statement of financial position total is EUR 52 492 246. Non-current assets comprise 94% of the statement of financial position total, of which 80% (EUR 39 372 481) comprise of investment property. Investment property consists of the Group's real estate, which is leased / rented or will be leased / rented. Receivables comprise 49% (EUR 1 554 907) of the current assets and cash comprises 51% (EUR 1 638 774) respectively. Equity comprises 46% (EUR 24 089 320) of the statement of financial position total. Non-current liabilities comprise 50% (EUR 26 363 788) of the statement of financial position total, while current liabilities comprise 4% (EUR 2 039 138).

The analysis of the Group's consolidated statement of comprehensive income shows, that the revenue of the Group is EUR 3 241 121, the cost of sales is EUR 1 474 474, so that the gross profit amounts to EUR 1 766 647 and net profit amounts to EUR 1 182 182. The Management of the Group monitors the external factors affecting the Group's activities and takes the necessary measures to optimize the Group's operations and development.

Calculation of financial results

Liquidity (Company's paying capacity - Company's ability to cover its current liabilities):
Total liquidity ratio = 1.57.

Solvency (Company's ability to cover non-current and current liabilities):
Liabilities to equity ratio = 0.54.

Financial performance indicators show that the Group is able to settle its obligations, as well as the fact that the Group has sufficient material provision for the business further development.

Development of the Group

For the year 2016 the Board of SC "Baltic RE Group" is planning the further activities of development of new real estate research and optimization and development of current business activities. In 2016 the Group's subsidiaries do not intend to change their core business activity. Several Group companies have property under construction, which are scheduled to conclude in 2016, and, respectively, to put them into operation and to lease. It is planned to strengthen the bond with loyal customers and reliable partners; continuously improve the quality management system, as well as to find new customers and increase sales, the Group plans to optimize costs. In 2016 the Parent company plans to increase the share capital up to EUR 28 000 000. The Group will continue to fund its operations, attracting also the Group's shareholders, subsidiaries and other related companies and parties. The Group gradually meets the set conditions in order to apply for the listing of its bonds on the stock exchange Nasdaq Riga.

Use of the financial instruments

The Group's principal financial instruments comprise loans from credit institutions, shareholders, management, related companies and private parties. The main task of these financial instruments is to provide the financing of the commercial activity of the Group. The Group has various other financial instruments such as trade receivables and other receivables, advances received from customers, trade payables and other payables, which arise directly from its operations.

Subsequent events

Increase of share capital

The Parent company in 2016 increased the share capital up to EUR 25 000 000 through equity contributions. From 11 April 2016 the Parent company's share capital is composed of shareholders capital investment of EUR 25 000 000, total authorised number of ordinary shares is 25 000 000 with a par value of EUR 1 per share.

Other than the above, there were no material events after the statement of financial position date requiring adjustment of or disclosure in the financial statements or notes there to.

Giovanni Dalla Zonca
Head of the Board

Statement of Responsibility of the Management

The Board of SC "Baltic RE Group" prepares separate and consolidated financial statements for each financial year, which give a true and fair view of the SC "Baltic RE Group" (hereinafter – the Parent company) and SC "Baltic RE Group" and its subsidiaries (hereinafter – the Group) financial position as at the end of the respective period and the results of its operations, cash flows and changes in shareholders' equity for the respective period.

Financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

In preparing those financial statements, the Board:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Parent company and the Group will continue in business.

The Board of SC "Baltic RE Group" is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Parent company and the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the European Union.

Giovanni Dalla Zonca
Head of the Board

Consolidated and Parent Company's Statement of Financial Position

		Group		Parent company	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
ASSETS	Note	EUR	EUR	EUR	EUR
Non-current assets					
Goodwill	5	9 503 744	8 063 077	1 440 667	-
Intangible assets	6	820	-	820	-
Property, plant and equipment	7	110 584	34 921	59 101	-
Investment property	8	39 372 481	37 876 157	11 351 315	9 685 259
Investments in subsidiaries	9	-	-	20 645 408	16 017 688
Loans to related companies	10, 43	-	-	17 189 209	582 866
Other securities and investments		32 230	71 264	-	-
Other loans and other long-term receivables		13 000	104 100	13 000	-
Deferred income tax asset		265 706	-	11 559	-
		49 298 565	**46 149 519**	**50 711 079**	**26 285 813**
Current assets					
Trade receivables	11, 43	714 889	95 136	163 496	989
Receivables from related companies	10, 43	-	-	851 620	230 814
Other receivables	12, 43	772 332	818 660	448 346	230 576
Accrued income	13	67 686	52 632	15 725	835
Cash and cash equivalents	14	1 638 774	612 472	1 261 702	459 781
		3 193 681	**1 578 900**	**2 740 889**	**922 995**
Non-current assets classified as held for sale	15	-	248 944	-	-
		3 193 681	**1 827 844**	**2 740 889**	**922 995**
TOTAL ASSETS		**52 492 246**	**47 977 363**	**53 451 968**	**27 208 808**
EQUITY AND LIABILITIES					
Equity					
Share capital	16	24 853 452	5 200 000	24 853 452	5 200 000
Other reserves	17	(1 841 117)	-	16 101	-
Retained earnings / (loss) for the year	18	1 076 985	(105 197)	(141 425)	(215 529)
Equity attributable to equity holders of the Parent company		24 089 320	5 094 803	24 728 128	4 984 471
Non-controlling interest	19	-	2 322 225	-	-
Total equity		**24 089 320**	**7 417 028**	**24 728 128**	**4 984 471**
Non-current liabilities					
Loans from credit institutions	20	25 950 389	17 978 016	25 950 389	3 508 754
Borrowings	21, 43	31 616	60 000	-	-
Payables to related companies	22, 43	-	-	279 000	114 000
Other payables	23, 43	381 783	339 938	181 626	113 969
Deferred income	24	-	11 000	-	-
		26 363 788	**18 388 954**	**26 411 015**	**3 736 723**
Current liabilities					
Loans from credit institutions	20	1 410 968	1 969 513	1 110 714	249 667
Borrowings	21, 43	-	281 616	-	-
Prepayments received from customers	25, 43	-	7 743	-	-
Trade payables	26, 43	295 584	1 787 534	23 051	638 331
Payables to related companies	22, 43	-	-	1 108 963	144 326
Taxes payable	27	103 797	72 820	5 405	207
Other payables	23, 43	112 030	17 597 075	4 256	17 317 048
Deferred revenue	24	11 000	11 000	-	-
Accrued liabilities	28	105 759	444 080	60 436	138 035
		2 039 138	**22 171 381**	**2 312 825**	**18 487 614**
Total liabilities		**28 402 926**	**40 560 335**	**28 723 840**	**22 224 337**
TOTAL EQUITY AND LIABILITIES		**52 492 246**	**47 977 363**	**53 451 968**	**27 208 808**

The accompanying notes on pages 13 to 59 are an integral part of these financial statements.

Giovanni Dalla Zonca
Head of the Board

Consolidated and Parent Company's Statement of Comprehensive Income

		Group		Parent company	
		2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
	Note	EUR	EUR	EUR	EUR
Revenue	29	3 241 121	262 807	645 325	61 014
Cost of sales	30	(1 474 474)	(298 159)	(255 691)	(120 878)
Gross profit		**1 766 647**	**(35 352)**	**389 634**	**(59 864)**
Distribution costs	31	(1 576)	(1 731)	(1 538)	(1 287)
Administrative expenses	32	(498 649)	(178 110)	(259 445)	(145 317)
Other operating income	33	95 285	13 448	70 424	-
Other operating expense	34	(2 422)	(9 403)	(355)	(497)
Revenue from sale of non-current assets classified as held for sale		375 131	-	-	-
Share of loss of investments accounted for using the equity		-	(6 822)	-	-
Write-down of long-term financial investments and short-term securities		(39 033)	(15 750)	-	-
Negative goodwill write-off	5	-	213 308	-	-
Operating profit or loss		**1 695 383**	**(20 412)**	**198 720**	**(206 965)**
Finance income	35	4 136	909	429 081	-
Finance costs	36	(643 458)	(48 715)	(539 022)	(3 700)
Profit or loss before tax		**1 056 061**	**(68 218)**	**88 779**	**(210 665)**
Corporate income tax	37	(21 782)	-	-	-
Deferred corporate income tax	37	262 793	-	11 559	-
Other taxes	38	(114 890)	(10 864)	(26 234)	(4 864)
PROFIT OR LOSS FOR THE YEAR		**1 182 182**	**(79 082)**	**74 104**	**(215 529)**
Other comprehensive income or loss		-	-	-	-
TOTAL COMPREHENSIVE INCOME OR LOSS		**1 182 182**	**(79 082)**	**74 104**	**(215 529)**

		2015	02.10.2013-31.12.2014
Profit or loss attributable to:		EUR	EUR
- Equity holders of the Parent company		1 182 182	(105 197)
- Non-controlling interest		-	26 115
TOTAL		**1 182 182**	**(79 082)**
Basic and diluted earnings or loss per share for profit attributable to the equity holders of the Parent company during the year:			
Basic and diluted earnings or loss per share	39	0.056	(0.017)
Total comprehensive income or loss attributable to:			
- Equity holders of the Parent company		-	-
- Non-controlling interest		-	-
TOTAL		-	-

The accompanying notes on pages 13 to 59 are an integral part of these financial statements.

Giovanni Dalla Zonca
Head of the Board

Consolidated and Parent Company's Statement of Cash Flows

		Group		Parent company	
		2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Cash flows from operating activities	Note	EUR	EUR	EUR	EUR
Profit or loss before tax		**1 056 061**	**(68 218)**	**88 779**	**(210 665)**
Adjustments for:					
Depreciation of investment property	8	828 496	80 991	56 741	-
Depreciation of property, plant and equipment	7	6 715	402	421	-
Write-down of long-term financial investments and short-term securities		39 033	22 572	-	-
Negative goodwill write-off	5	-	(213 308)	-	-
Profit or loss from foreign currency exchange rate fluctuations	34	6	362	-	362
Financial income		(4 136)	-	(429 081)	-
Financial costs	36	643 458	48 715	539 022	-
Operating cash flows before working capital changes		**2 569 633**	**(128 484)**	**255 882**	**(210 303)**
(Increase) / decrease in trade receivables		(697 992)	(956 428)	2 111 026	(463 214)
Increase / (decrease) in trade and other payables		(13 246 616)	1 669 861	(3 533 003)	921 681
Cash generated from operations		**(11 374 975)**	**584 949**	**(1 166 095)**	**248 164**
Interest paid	36	(643 458)	(165 781)	(534 795)	(117 066)
Real estate tax paid	38	(114 890)	(10 864)	(26 248)	(4 864)
Net cash generated from operating activities		**(12 133 323)**	**408 304**	**(1 727 138)**	**126 234**
Cash flows from investing activities					
Acquisitions of subsidiary, net of cash acquired		(2 529 679)	(180 000)	(4 971 720)	(180 000)
Profit of merged company as a result of reorganisation		-	-	16 101	-
Purchases of property, plant and equipment and intangible assets		(2 327 447)	(9 373 929)	(1 783 139)	(9 314 645)
Loans granted		(13 000)	-	(22 062 606)	-
Proceeds from loan repayment		120 100	-	1 219 835	-
Interest received		4 136	909	428 843	-
Net cash used in investing activities		**(4 745 890)**	**(9 553 020)**	**(27 152 686)**	**(9 494 645)**
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		433 642	5 200 000	433 642	5 200 000
Proceeds from borrowings		28 000 000	4 737 306	30 295 000	4 737 306
Repayments of borrowings		(10 528 120)	(179 756)	(1 046 897)	(108 752)
Net cash used in financing activities		**17 905 522**	**9 757 550**	**29 681 745**	**9 828 554**
Foreign currency exchange rate fluctuations	34	(7)	(362)	-	(362)
Net increase in cash and cash equivalents		1 026 302	612 472	801 921	459 781
Cash and cash equivalents at the beginning of the year		612 472	-	459 781	-
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING YEAR		**1 638 774**	**612 472**	**1 261 702**	**459 781**

The accompanying notes on pages 13 to 59 are an integral part of these financial statements.

Giovanni Dalla Zonca
Head of the Board

Consolidated and Parent Company's Statement of Changes in Equity

Group

	Note	Share capital	Other reserves	Retained earnings / (loss)	TOTAL	Non-controlling interest	TOTAL
		Equity attributable to equity holders of the Parent company					
		EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 2 October 2013		-	-	-	-	-	-
Proceeds from shares issued	16	5 200 000	-	-	5 200 000	-	**5 200 000**
Comprehensive income or loss							
Profit or loss for the year	18	-	-	(105 197)	(105 197)	26 115	**(79 082)**
Other comprehensive income or loss		-	-	-	-	-	-
Total comprehensive income or loss		-	-	**(105 197)**	**(105 197)**	**26 115**	**(79 082)**
Non-controlling interest arising on business combination	19	-	-	-	-	2 296 110	**2 296 110**
Balance as at 31 December 2014		**5 200 000**	-	**(105 197)**	**5 094 803**	**2 322 225**	**7 417 028**
Proceeds from shares issued	16	19 653 452	-	-	19 653 452	-	**19 653 452**
Profit of merged company as a result of reorganisation	17	-	16 101	-	16 101	-	**16 101**
Comprehensive income or loss							
Profit or loss for the year	18	-	-	1 182 182	1 182 182	-	**1 182 182**
Other comprehensive income or loss		-	-	-	-	-	-
Total comprehensive income or loss		-	-	**1 182 182**	**1 182 182**	-	**1 182 182**
Acquisition of non-controlling interest	42	-	(1 857 218)	-	(1 857 218)	(2 322 225)	**(4 179 443)**
Balance as at 31 December 2015		**24 853 452**	**(1 841 117)**	**1 076 985**	**24 089 320**	-	**24 089 320**

Parent company

	Note	Share capital	Other reserves	Retained earnings / (loss)	TOTAL
		EUR	EUR	EUR	EUR
Balance as at 2 October 2013		-	-	-	-
Proceeds from shares issued	16	5 200 000	-	-	**5 200 000**
Comprehensive income or loss					
Profit or loss for the period	18	-	-	(215 529)	**(215 529)**
Other comprehensive income or loss		-	-	-	-
Total comprehensive income or loss		-	-	**(215 529)**	**(215 529)**
Non-controlling interest arising on business combination	19	-	-	-	-
Balance as at 31 December 2014		**5 200 000**	-	**(215 529)**	**4 984 471**
Proceeds from shares issued	16	19 653 452	-	-	**19 653 452**
Profit of merged company as a result of reorganisation	17	-	16 101	-	**16 101**
Comprehensive income or loss					
Profit or loss for the year	18	-	-	74 104	**74 104**
Other comprehensive income or loss		-	-	-	-
Total comprehensive income or loss		-	-	**74 104**	**74 104**
Balance as at 31 December 2015		**24 853 452**	**16 101**	**(141 425)**	**24 728 128**

The accompanying notes on pages 13 to 59 are an integral part of these financial statements.

Giovanni Dalla Zonca
Head of the Board

Consolidated and Parent Company's Notes to the Financial Statements

1. General information

SC "Baltic RE Group" (hereinafter - the Parent company) is a stock corporation, which was registered in State Enterprise register on 2 October 2013. The legal address of SC "Baltic RE Group" and address of its registered office is 19 Skunu Street, Riga, LV-1050, Latvia.

Parent company mainly leases premises and provides real estate management services and is engaged in the development of the subsidiaries and cash rational investing. SC "Baltic RE Group" and its subsidiaries (hereinafter – the Group) hold a major portfolio of investment properties in Latvia and mainly deals with the lease of premises and real estate management services. Information on the Group structure is provided in Note 4. Information on other related party relationships of the Group and Parent company is provided in Note 43.

The Group's structure provides for each of the Group's subsidiaries to undertake specific building lease / rental services:

1) BALTIC RE SPA activity is the management of subsidiaries, strategic development and real estate research and development;
2) Other Group's subsidiaries lease / rent real estate at the addresses:
   - LLC "KEY 1" – 1 Kungu Street, Riga, LV-1050, Latvia;
   - LLC "Key 2" – 2 Kramu Street, Riga, LV-1050, Latvia;
   - LLC "KEY 6" – 6-1 Kalku Street, LV-1050, Latvia and 6-1E Kalku Street, Riga, LV-1050, Latvia;
   - LLC "Key 15" – 15 Kalku Street, Riga, LV-1050, Latvia;
   - LLC "Skunu 19" – 19 Skunu Street, Riga, LV-1050, Latvia,

   as well as provide real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies.

These financial statements for the year ended 31 December 2015 were approved by a resolution of the SC "Baltic RE Group" Board on 31 May 2016.

2. Summary of significant accounting policies

2.1. Basis of preparation

The principal accounting policies applied in the preparation of the Group's consolidated and Parent company's financial statements are set out below.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

SC "Baltic RE Group" prepared its consolidated financial statements in accordance with IFRS as adopted by the EU, as the Parent company applied for the listing of its bonds on the stock exchange Nasdaq Riga.

Income and cash flow statement

The Group has elected to present a single statement of comprehensive income and presents its expenses by function.

The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention unless otherwise stated.

The financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia.

The financial statements cover the period from 1 January 2015 to 31 December 2015.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

Significant accounting judgments and uncertainties

The following are the significant judgments and key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Group reviews the residual value, estimated useful lives and depreciation method of property, plant and equipment;
- the Group estimates fair value of investment property;
- the Group reviews non-current assets and assesses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable;
- the Group considers judgments in connection with classifying non-current assets to tangible assets or investment properties;
- the Group considers recoverability of receivables on each statement of financial position date.

Determination of whether a property is owner occupied or investment property

The Group owns one building which is used partly as an investment property and partly for its own use. The Management of the Group has determined that this property may be treated in its entirety as an investment property as only an insignificant portion is held for own use.

2.2. Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Group and the Parent company

The following new and amended IFRSs as adopted by the EU and interpretations became effective in 2015, but did not have significant impact on these financial statements:

1) *Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs and became effective on 1 January 2015:*

   - IFRS 3 *Business Combinations*. This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
   - IFRS 13 *Fair Value Measurement*. This improvement clarifies that the scope of the portfolio exception defined in IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
   - IAS 40 *Investment Property*. This improvement clarifies the classification of property as investment property or owner-occupied property and judgement required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 *Business Combinations*. Determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and includes an investment property as defined in this Standard requires the separate application of both Standards.
   - IFRIC Interpretation 21 *Levies*. This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs.

2) *Annual Improvements to IFRSs 2010 – 2012 Cycle is a collection of amendments to the following IFRSs and became effective on 1 February 2015:*

   - IFRS 2 *Share-based Payment*. This improvement defines the "vesting condition".
   - IFRS 3 *Business Combinations*. This improvement clarifies accounting for contingent consideration in a business combination.
   - IFRS 8 *Operating Segments*. This improvement clarifies aggregation of operating segments, reconciliation of the total of the reportable segments' assets to the entity's assets.

- IAS 16 *Property, Plant and Equipment*. This improvement clarifies revaluation method – proportionate restatement of accumulated depreciation.
- IAS 24 *Related Party Disclosures*. This improvement clarifies the definition of a "related party" - an entity is related to the entity that is preparing its financial statements if any of the following conditions applies: the entity, or a member of its group, provides key management personnel services to the reporting entity. This improvement clarifies the separate disclosure of transactions for the provisions of key management personnel services.
- IAS 38 *Intangible Assets*. This improvement clarifies revaluation method – proportionate restatement of accumulated amortisation.

New standards, amendments and interpretations not yet adopted

A number of amendments to standards are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements:

1) *Annual Improvements to IFRSs 2012 – 2014 Cycle is a collection of amendments to the following IFRSs and became effective on 1 January 2016:*
   - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This improvement clarifies the changes in methods of disposal - to hold the asset for sale or for distribution.
   - IFRS 7 *Financial Instruments: Disclosures*. This improvement clarifies servicing contracts.
   - IAS 34 *Interim Financial Reporting*. This improvement clarifies disclosure of information "elsewhere in the interim financial report".
   - IAS 38 *Intangible Assets*. This improvement clarifies acceptable methods of amortisation.
2) *Annual Improvements to IFRSs 2010 – 2012 Cycle is a collection of amendments to the following IFRSs and became effective on 1 January 2016:*
   - IAS 16 *Property, Plant and Equipment*. This improvement clarifies acceptable methods of depreciation.
3) *Amendments to standards:*
   - Amendments to IAS 1 *Presentation of Financial Statements* (effective on or after 1 January 2016). These amendments introduce improvements to disclosure requirements.
   - Amendments to IFRS 11 *Joint Arrangements*: *Accounting for Acquisitions of Interests in Joint Operations* (effective on or after 1 January 2016). This standard addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.

At present the Management of the Group evaluates the impact or expected effect from adoption of these standards.

Changes in accounting estimates

Starting with 1 January 2015 the Management of the Group decided to calculate the depreciation of buildings in all companies of the Group "Baltic RE Group", using uniform basis of accounting, respectively, to determine for all buildings useful life of 30 years. Until 31 December 2014 the Group has determined to some of the buildings useful life of 20 years, to some of the buildings - of 30 years.

	2015
Depreciation charge of the building after the old estimates	926 565
Depreciation charge of the building after the new estimates	596 196

According to new estimates, the Group's expenses decreased by EUR 330 369, respectively, the consolidated profit for the year increased by this amount.

Prior period reclassification

In order to improve comparability between reporting year and prior reporting period, several reclassifications for consolidated and separate statements of financial position were performed. Restatements are made to separate guarantee deposits from cash and cash equivalents. Impact on the statement of financial position as at 31 December 2014 is the following:

	Group			Parent company		
	Statement of financial position (restated)	Reclassification	Statement of financial position	Statement of financial position (restated)	Reclassification	Statement of financial position
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Assets						
Other receivables	818 660	247 303	571 357	230 576	47 303	183 273
Cash and cash equivalents	612 472	(247 303)	859 775	459 781	(47 303)	507 084
TOTAL:		-			-	

2.3. Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed and included in administrative expenses in the statement of comprehensive income as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities, as well as income and expense. Inter-company transactions, balances and unrealised gains and losses on transactions between Group's entities are eliminated.

Changes in ownership interests in subsidiaries without change of control

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests area adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Disposal of subsidiaries

If a parent loses control of a subsidiary, the parent:

- derecognises the assets (including goodwill) and liabilities of the former subsidiary from the consolidated statement of financial position;
- derecognises the carrying amount of any non-controlling interest;
- recognises the fair value of the consideration received;
- recognises any investment retained in the former subsidiary when control is lost.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, the monetary unit of the Republic of Latvia, which is the Group's entities' functional currency and the Group's presentation currency.

Transactions and balances

All transactions denominated in foreign currencies are translated into euro at the foreign exchange reference rates set by the European Central Bank against the euro, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last date of the reporting year. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the statement of comprehensive income in net value.

2.5. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the subsidiary's level.

The Parent company at the end of each financial year for the purposes of the consolidated financial reporting performs an impairment testing of goodwill. Goodwill impairment reviews are undertaken annually. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Amortisation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Method	% p.a.
Licences	Straight-line	33.33%

2.6. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Group and the Parent company evaluate all property, plant and equipment costs at the time they are incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it, including professional fees.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying amount of that item. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Method	% p.a.
Furniture and built-in elements of engineered equipment	Straight-line	10-20%
Office equipment	Straight-line	17-29%
Other fixed assets	Straight-line	17-33%

Depreciation is calculated starting with the following month after the property, plant and equipment is put into operation or engaged in commercial activity. Depreciation is not calculated for those items of property, plant and equipment, which have an unlimited useful life. Such assets include paintings and other antiques, jewellery.

The residual value, the useful life of an asset and the depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

2.7. Investment property

Property (land or building, or part of building, or both) that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group for administrative purposes, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at cost less accumulated depreciation and any impairment in value. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on investment property is calculated using the straight-line method to allocate its cost or revalued amounts to its residual values over their estimated useful lives, as follows:

	Method	% p.a.
Buildings and constructions	Straight-line	3.33%

Land is not depreciated. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group and the Parent company depreciate separately some parts of investment property, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

Construction in progress represents investment property under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and available for use.

Investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss in the period of the disposal.

Transfers to, or from, investment property are made when, and only when, there is a change in use. For a transfer from investment property to owner-occupied property, cost value is used, net of accumulated depreciation and accumulated impairment losses, if any. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

If an investment property or its part becomes owner-occupied and used for administrative purposes, it is reclassified as property, plant and equipment to the item "Land and buildings". Such reclassification was not made in these financial statements.

2.8. Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Group company is a lessor in operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position.

General description of significant leasing arrangements

The Group and the Parent company have entered into a number of long-term real estate lease / rent agreements with the termination period from 2017 to 2026. Agreement terms, including noncancellable period, the amount of the security deposit, the deposit utilization or payment order or bank guarantee, rent payment procedure, damages are determined individually for each tenant.

The Group and the Parent company may withhold security deposits repayable to renters / tenants in part or in full if the debtor's debt is not paid, or there are other violations of the agreement. The lease agreements include an extension option. When calculating the current year lease / rent, lease / rent is indexed to the inflation rate in the country.

See Note 29 for the recognition of rental income.

2.9. Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill - are not subject to amortisation and are tested annually for impairment. For assets that are subject to depreciation or amortisation the Group and the Parent company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group and the Parent company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses relating to goodwill cannot be reversed in future periods.

2.10. Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.11. Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through statement of comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through statement of comprehensive income, directly attributable transaction costs. The Group and the Parent company determine the classification of its financial assets on initial recognition.

Financial assets of the Group and the Parent company are loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment determined on individual bases. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised as finance income or finance expenses or other operating expense in the statement comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortization process. The effective interest method is not used for short-term receivables, as in this case, the impact of discounting is not significant.

Impairment of financial assets

Assets carried at amortised cost

The Group and the Parent company assess at each statement of financial position date whether a financial asset or group of financial assets is impaired. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in statement of comprehensive income.

For financial assets carried at amortised cost, the Group and the Parent company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Parent company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that we will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Parent company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group and the Parent company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Parent company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Group's and the Parent company's continuing involvement in the asset.

Financial liabilities

The Group's and Parent company's financial liabilities include loans and borrowings, trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. After initial recognition the financial liabilities are recognized at amortized cost using the effective interest method.

Loans and borrowings

Loans and borrowings are recognised initially at fair value less any associated discounts or premiums and directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in other comprehensive income during the period of the loan or borrowing using the effective interest rate method. Gains / losses are recognized in the statement of comprehensive income as interest income / expenses.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in bank.

2.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group and the Parent company capitalise borrowing costs on qualifying investment properties.

2.14. Accrued income

Accrued income is recognized when the Group and the Parent company have legal or other income from past events, it is probable that the revenue will flow to the Group and the Parent company, and the amount may be credibly estimated and evaluated.

2.15. Accrued liabilities

Accrued liabilities are recognized when the Group and the Parent company have present legal or other obligation that was a result of past events, there is a high probability that for the completion of the obligation, economic benefits outflow will be necessary and the amount may be credibly estimated and evaluated.

2.16. Reserve for unused leaves

Reserve for unused leaves is determined by multiplying the average salary of each employee in the last 6 months of the reporting year by the number of unused accrued annual leave days.

2.17. Contingencies

Contingent liabilities are not recognized in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.18. Provisions

Provisions are recognised when the Group and the Parent company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group and the Parent company expect some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.19. Revenue recognition

Revenue includes rental income, service charges and management charges from properties, as well as income from other services (portfolio valuation, internal audit/control, organisation of real estate valuation).

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Parent company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Rental income from operating leases

Rental income from operating leases is recognised on a straight-line basis over the lease term.

Rendering of services

Revenue arising from the rendering of services (e.g., maintenance and management charge) is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the statement of financial position date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.

Deferred revenue

Revenue receivable before the statement of financial position date, but relating to a future year or years, is accounted as deferred revenue.

Dividends

Revenue is recognised, when the shareholder's right to receive payment is established.

Other income

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the profit or loss as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the profit or loss as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- other income – as incurred.

2.20. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (IAS 24 *Related Party Disclosures* – "reporting entity"):

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - has control or joint control over the reporting entity;
   - has significant influence over the reporting entity; or
   - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. An entity is related to a reporting entity if any of the following conditions applies:
   - the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   - both entities are joint ventures of the same third party;
   - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   - the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   - the entity is controlled or jointly controlled by a person identified in point 1);
   - a person identified in the first sub point of point 1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
   - the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties are the shareholders of the Group / Parent company that can control the Group / Parent company or have a significant influence over the activities of the Group / Parent company, key management personnel of the Parent company and its subsidiaries and close member of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

2.21. Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Group and the Parent company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Group's and the Parent company's non-current assets, the treatment of temporary non-taxable allowances and reserves, as well as tax losses carried forward for the subsequent years. A deferred tax asset is not recognised because its main reason is an unused tax loss carry forward, but it is considered uncertain that the loss carry forward can be utilised.

2.22. Earnings per share

Earnings per share are calculated by dividing the net result for the year attributable to ordinary equity holders of the Parent company shares by the average number of shares in issue during the year. The average number of the issued shares during the year has been weighted to take into account the timing of the issuance of new shares, if any. SC "Baltic RE Group" securities are not publicly traded, but the Parent company has voluntary chosen to present EPS information that comply with IAS 33.

2.23. Subsequent events

Post-year-end events that provide additional information about the Group's and the Parent company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Financial risk management

3.1. Financial risk factors

The risk management function within the Group and the Parent company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group are exposed during or at the end of the reporting period. Financial risk comprises interest rate risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The Group's principal financial instruments comprise loans from shareholders, related parties, cash and short-term deposits. The main purpose of these financial instruments is to ensure financing for the operations.

The Group has various other financial instruments such as trade and other receivables, trade and other payables, which arise directly from its operations.

Financial risks

The main financial risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Parent company's exposure to the risk of changes in the market interest rates relates primarily to long-term loan from credit institution (Note 20) with variable interest rate.

The Group's borrowings with fixed interest rate are measured at amortized cost and are therefore not exposed to interest rate risk as book value or future cash flows will no fluctuate due to interest rate changes.

The Group does not have any policies for managing the interest rate risks.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Parent company's profit before tax (through the impact on mainly EURIBOR variable rate borrowings). There is no impact on the equity, except for the effect on the current year result.

		Group	Parent company
	EURIBOR change	Effect on profit before tax	
2015	+0.1%	(24 951)	(21 259)
	-0.1%	24 951	21 259
02.10.2013-31.12.2014	+0.1%	(6 088)	(4 591)
	-0.1%	6 088	4 591

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group and the Parent company are exposed to credit risk as they provide services on credit, but there are no significant concentrations of credit risk. Credit risk arises from trade receivables, issued short-term loans, as well as cash and cash equivalents.

The Group and the Parent company manage its credit risk by careful evaluation and regular monitoring of its business partners, by continuously assessing the credit history of customers and assigning credit terms on an individual basis, as well as by applying prepayment conditions for the real estate rental services. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's and the Parent company's exposure to bad debts is minimised. In determining the recoverability of a trade receivable, the management considers all available information of the trade receivable from the date credit was initially granted up to the reporting date.

Maximum exposure to credit risk by class of financial asset is as follows:

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Trade receivables	714 889	95 136	163 496	989
Receivables from related companies	-	-	851 620	230 814
Other receivables, net of allowance for doubtful debts	38 247	6 646	108 596	6 646
Cash and cash equivalents	1 638 774	612 472	1 261 702	459 781
TOTAL:	**2 391 910**	**714 254**	**2 385 414**	**698 230**

The fair value of cash and cash equivalents at the end of the reporting period approximates the carrying value.

Liquidity risk

The Group and the Parent company manage its liquidity risk by maintaining sufficient cash, by arranging an adequate amount of committed credit facilities with related persons, by performing receivables and trade payables repayment term planning. Risk analysis and designing of risk management plans are conducted at the top management level, using the following table.

The maturity analysis of financial instruments

The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

Group

At 31 December 2014	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Later than 5 years	**TOTAL**
Assets						
Trade receivables	95 136	-	-	-	-	**95 136**
Other receivables, net of allowance for doubtful debts	-	9 035	562 322	247 303	-	**818 660**
Cash and cash equivalents	612 472	-	-	-	-	**612 472**
Liabilities						
Loans from credit institution	-	277 774	1 249 985	6 666 587	11 753 183	**19 947 529**
Other loans	-	250 000	31 616	60 000	-	**341 616**
Prepayments received	-	-	7 743	-	-	**7 743**
Trade payables	-	1 787 534	-	-	-	**1 787 534**
Other payables	17 831	16 850	17 562 394	339 938	-	**17 937 013**
At 31 December 2015						
Assets						
Trade receivables	714 889	-	-	-	-	**714 889**
Other receivables, net of allowance for doubtful debts	-	30 217	616 544	125 571	-	**772 332**
Cash and cash equivalents	1 638 774	-	-	-	-	**1 638 774**
Liabilities						
Loans from credit institution	138 887	277 774	818 594	6 842 300	19 283 802	**27 361 357**
Other loans	-	-	-	31 616	-	**31 616**
Trade payables	-	295 584	-	-	-	**295 584**
Other payables	105 208	6 822	-	381 783	-	**493 813**

Parent company

At 31 December 2014	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Later than 5 years	TOTAL
Assets						
Trade receivables	989	-	-	-	-	**989**
Receivables from related companies	-	-	230 814	582 866	-	**813 680**
Other receivables, net of allowance for doubtful debts	-	7 481	175 792	47 303	-	**230 576**
Cash and cash equivalents	459 781	-	-	-	-	**459 781**
Liabilities						
Loans from credit institution	-	-	249 667	3 508 754	-	**3 758 421**
Payables to related companies	-	-	148 326	110 000	-	**258 326**
Trade payables	-	638 331	-	-	-	**638 331**
Other payables	1 431	423	17 315 194	113 969	-	**17 431 017**
At 31 December 2015						
Assets						
Trade receivables	163 496	-	-	-	-	**163 496**
Receivables from related companies	-	-	851 620	3 586 290	13 602 919	**18 040 829**
Other receivables, net of allowance for doubtful debts	-	3	322 772	125 571	-	**448 346**
Cash and cash equivalents	1 261 702	-	-	-	-	**1 261 702**
Liabilities						
Loans from credit institution	138 887	277 774	518 340	6 842 300	19 283 802	**27 061 103**
Payables to related companies	-	-	1 108 963	279 000	-	**1 387 963**
Trade payables	-	23 051	-	-	-	**23 051**
Other payables	-	4 256	-	181 626	-	**185 882**

3.2. Capital management

The Group's and Parent company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Parent company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Parent company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity (share capital, reserves and retained earnings) plus net debt.

The gearing ratio is as follows:

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Total borrowings	28 402 926	40 560 335	28 723 840	22 224 337
Less: cash and cash equivalents	(1 638 774)	(612 472)	(1 261 702)	(459 781)
Net debt	26 764 152	39 947 863	27 462 138	21 764 556
Total equity	24 089 320	7 417 028	24 728 128	4 984 471
Total capital	**50 853 472**	**47 364 891**	**52 190 266**	**26 749 027**
Gearing ratio	**52.63%**	**84.34%**	**52.62%**	**81.37%**

At the end of the reporting period the Group and the Parent company met all capital requirements set by the credit institution.

3.3. Fair value estimation

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Parent company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group and the Parent company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Parent company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group and the Parent company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial instruments that are not measured at fair value

The table analyses the financial assets and liabilities that are not measured at fair value but whose fair value is disclosed according to its fair value hierarchy level.

Group

At 31 December 2014	Level 1	Level 2	Level 3	TOTAL
Assets				
Trade receivables	-	-	95 136	**95 136**
Other receivables	-	-	818 660	**818 660**
Cash and cash equivalents	612 472	-	-	**612 472**
Liabilities				
Loans from credit institutions	-	19 947 529	-	**19 947 529**
Borrowings	-	341 616	-	**341 616**
Prepayments received from customers	-	-	7 743	**7 743**
Trade payables	-	-	1 787 534	**1 787 534**
Other payables	-	-	17 937 013	**17 937 013**
At 31 December 2015				
Assets				
Trade receivables	-	-	714 889	**714 889**
Other receivables	-	-	772 332	**772 332**
Cash and cash equivalents	1 638 774	-	-	**1 638 774**
Liabilities				
Loans from credit institutions	-	27 361 357	-	**27 361 357**
Borrowings	-	31 616	-	**31 616**
Trade payables	-	-	295 584	**295 584**
Other payables	-	-	493 813	**493 813**

Parent company

At 31 December 2014	Level 1	Level 2	Level 3	TOTAL
Assets				
Trade receivables	-	-	989	**989**
Receivables from related companies	-	813 680	-	**813 680**
Other receivables	-	-	230 576	**230 576**
Cash and cash equivalents	459 781	-	-	**459 781**
Liabilities				
Loans from credit institutions	-	3 758 421	-	**3 758 421**
Trade payables	-	-	638 331	**638 331**
Other payables	-	-	17 431 017	**17 431 017**

At 31 December 2015	Level 1	Level 2	Level 3	TOTAL
Assets				
Trade receivables	-	-	163 496	**163 496**
Receivables from related companies	-	18 040 829	-	**18 040 829**
Other receivables	-	-	448 346	**448 346**
Cash and cash equivalents	1 261 702	-	-	**1 261 702**
Liabilities				
Loans from credit institutions	-	27 061 103	-	**27 061 103**
Trade payables	-	-	23 051	**23 051**
Other payables	-	-	185 882	**185 882**

The following methods and assumptions were used to estimate the fair values:

- assets and liabilities included in these tables are measured at amortized cost. The Group and the Parent company assumes that the fair value of those assets and liabilities approximates their carrying value;
- market interest rate was applied to loans from credit institutions and borrowings from related parties, so the Group assumes that the fair value of these loans and borrowings approximates their carrying value and corresponds to Level 2 of the fair value hierarchy.

The fair value of investment property is disclosed in Note 8.

4. Subsidiaries

Consolidation

The consolidated financial statements comprise the financial statements of SC "Baltic RE Group" and entities controlled by the Parent company (its subsidiaries): BALTIC RE SPA, LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19". The financial statements of the Parent company and its subsidiaries are prepared, using consistent accounting policies.

Interest in subsidiaries

The Parent company had the following subsidiaries at the end of the reporting period:

Name	Country of incorporation and place of business	Date of acquisition	Effective consolidation percentage of the Parent company (%)		Non-controlling interest (%)	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
BALTIC RE SPA reg.No.04277380285	Italy	04.12.2014	100%	86%	-	14%
LLC "KEY 1" reg.No.40103212372	Latvia	18.12.2014[1]	100%	82.47%	-	17.53%
LLC "Key 2" reg.No.40103451102	Latvia	04.12.2014	100%	55.22%	-	44.78%
LLC "KEY 6" reg.No.40103285982	Latvia	04.12.2014	100%	76.24%	-	23.76%
LLC "Key 15" reg.No.40103568148	Latvia	18.12.2014[2]	100%	88.25%	-	11.75%
LLC "Skunu 19" reg.No.40003993617	Latvia	04.12.2014	100%	86%	-	14%

[1] At 4 December 2014 SC "Baltic RE Group" agreed with LLC "KEY 1" on the acquisition of 12.66% of its share capital, but the deal was incorporated in the State Enterprise register on 18 December 2014. For the purpose of consolidation management of SC "Baltic RE Group" assumes that 12.66% had already been owned by the Parent company on 4 December 2014, thus the Parent company's effective consolidation percentage at this date comprises 82.47%.

[2] At 4 December 2014 SC "Baltic RE Group" agreed with LLC "KEY 15" on the acquisition of 33.00% of its share capital, but the deal was incorporated in the State Enterprise register on 18 December 2014. For the purpose of consolidation management of SC "Baltic RE Group" assumes that 33.00% had already been owned by the Parent company on 4 December 2014, thus the Parent company's effective consolidation percentage at this date comprises 88.25%.

The date on which the Group obtained control of the subsidiaries is the date of acquisition of subsidiary.

The proportion of the voting rights in the subsidiary undertakings held directly by the Parent company do not differ from the proportion of ordinary shares held.

Management believes that the non-controlling interest was not material. The Group's reorganization took place in early 2015, as a result the Parent company's direct and indirect ownership in subsidiaries comprises 100%. Information on non-controlling interest is provided in the Note 19.

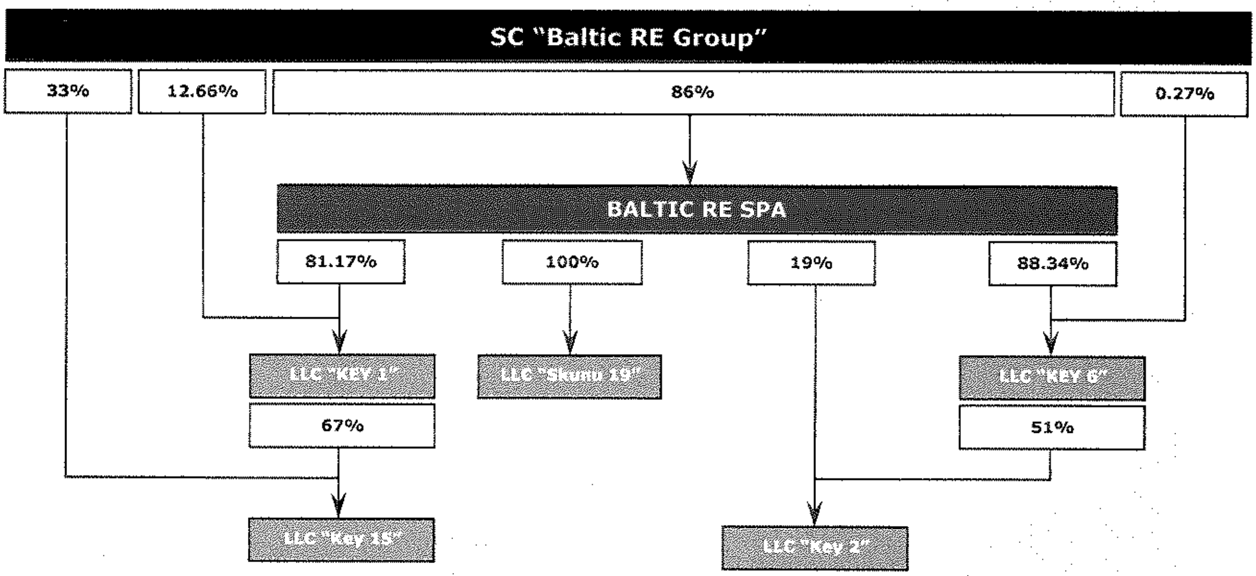
Reporting period 02.10.2013-31.12.2014

The financial statements of the Group's subsidiaries are prepared for 2014, the consolidated statement of comprehensive income includes data of the subsidiaries' interim financial statements for the period from 4 December 2014 to 31 December 2014, as the subsidiaries were acquired on 4 December 2014. The Parent company's audited financial statements were prepared for the period from 2 October 2013 to 31 December 2014, which is included in the consolidation.

Equity and net income attributable to non-controlling interest are presented separately in the consolidated statement of financial position and consolidated statement of comprehensive income.

Group structure

Group's "Baltic RE Group" structure as at 31 December 2014 is as follows:

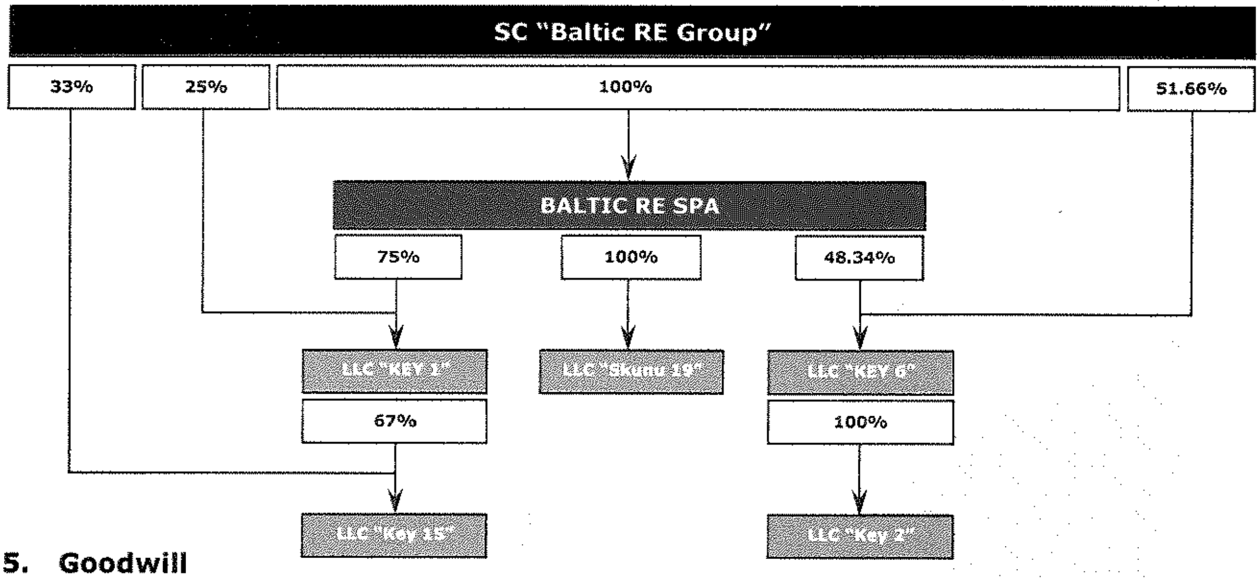


2015 reporting year

In early 2015 the Group's reorganization took place, as a result the Parent company's direct and indirect holding in subsidiaries comprises 100%.

Group structure

Group's "Baltic RE Group" structure as at 31 December 2015 is as follows:



5. Goodwill

The main aim of the acquisition is to obtain the expected synergies in real estate renting / letting and management process.

Cost and carrying amount at 02.10.2013	**-**
Acquisition of subsidiaries on 04.12.2014	
- BALTIC RE SPA	2 476 306
- LLC "KEY 1"	235 851
- LLC "KEY 6"	407 026
- LLC "Key 15"	2 721 694
- LLC "Skunu 19"	2 222 200
Cost and carrying amount at 31.12.2014	**8 063 077**
Acquisition of subsidiary on 25.02.2015	
- LLC "HOE-GLOBAL PROPERTY SOLUTIONS" [1]	1 440 667
Cost and carrying amount at 31.12.2015	**9 503 744**

Goodwill is allocated to the Group's cash-generating units, which in all cases were determined to be subsidiaries acquired by the Group.

Goodwill of LLC "Key 2" on the acquisition date of 4 December 2014 was negative and amounted to EUR 213 308. This amount is included in the statement of comprehensive income under the item "Negative goodwill write-off". The Management of the Group believes that the subsidiary LLC "Key 2" was purchased for a price which is lower than the fair value of net assets due to the Group's unique market position in this industry segment and the seller's refusal to engage in this segment, with the result that the Group was able to agree on the favourable purchase price.

[1] On 9 July 2015 the Board of the Parent company SC "Baltic RE Group", based on the parts 1 and 2 of the Section 354.[3] of the "Commercial Law", made a decision on reorganisation – merger, when acquiring company SC "Baltic RE Group" merged with 100% owned merging company LLC "HOE-GLOBAL PROPERTY SOLUTIONS". The reorganization was completed on 10 December 2015. After completion of the reorganization the Parent company recognized goodwill, which arose in a business combination, when the Parent company on 25 February 2015 acquired 100% of the share capital and voting rights of LLC "HOE-GLOBAL PROPERTY SOLUTIONS" and obtained control of it (Notes 9 and 41).

Impairment

No impairment charge of the item "Goodwill" arose as a result of the annual impairment test.

6. Intangible assets

Group and Parent company

	Licences	TOTAL
2015		
Cost at 31.12.2014	-	-
Additions with reorganization	820	**820**
Cost at 31.12.2015	**820**	**820**
Accumulated amortisation at 31.12.2014	-	-
Accumulated amortisation at 31.12.2015	-	-
Net book amount at 31.12.2014	-	-
Net book amount at 31.12.2015	**820**	**820**

Amortisation

The licences were taken over as a result of reorganization. Due to the fact that the reorganization was completed on 10 December 2015, amortisation charge was not calculated.

Pledged assets

Information on pledged assets is provided in Note 20.

7. Property, plant and equipment

Group

	Furniture and built-in elements of engineered equipment	Office equipment	Other fixed assets	Prepayments for fixed assets	TOTAL
02.10.2013-31.12.2014					
Cost at 02.10.2013	-	-	-	-	-
Acquisition of subsidiaries on 04.12.2014	8 548	612	14 431	19 382	**42 973**
Put into operation	15 465	1 145	736	-	**17 346**
Reclassification	-	-	-	(19 382)	**(19 382)**
Cost at 31.12.2014	**24 013**	**1 757**	**15 167**	-	**40 937**
Accumulated depreciation at 02.10.2013	-	-	-	-	-
Acquisition of subsidiaries on 04.12.2014	4 604	308	702	-	**5 614**
Depreciation charge	316	34	52	-	**402**
Accumulated depreciation at 31.12.2014	**4 920**	**342**	**754**	-	**6 016**
Net book amount at 02.10.2013	-	-	-	-	-
Net book amount at 31.12.2014	**19 093**	**1 415**	**14 413**	-	**34 921**
2015					
Cost at 31.12.2014	**24 013**	**1 757**	**15 167**	-	**40 937**
Additions	41 101	2 798	10 000	3 025	56 924
Additions with reorganization	22 287	3 167	-	-	**25 454**
Cost at 31.12.2015	**87 401**	**7 722**	**25 167**	**3 025**	**123 315**
Accumulated depreciation at 31.12.2014	**4 920**	**342**	**754**	-	**6 016**
Depreciation charge	5 261	1 271	183	-	**6 715**
Accumulated depreciation at 31.12.2015	**10 181**	**1 613**	**937**	-	**12 731**
Net book amount at 31.12.2014	**19 093**	**1 415**	**14 413**	-	**34 921**
Net book amount at 31.12.2015	**77 220**	**6 109**	**24 230**	**3 025**	**110 584**

Depreciation

Total depreciation charge included in the following item of the statement of comprehensive income:

	2015	02.10.2013-31.12.2014
Cost of sales	6 715	402
TOTAL:	**6 715**	**402**

Impairment

No impairment charge of the item "Property, plant and equipment" arose as a result of the impairment test.

Pledged assets

Information on pledged assets is provided in Note 20.

Parent company

	Other fixed assets	TOTAL
2015		
Cost at 31.12.2014	-	-
Additions	34 068	**34 068**
Additions with reorganization	25 454	**25 454**
Cost at 31.12.2015	**59 522**	**59 522**
Accumulated depreciation at 31.12.2014	-	-
Depreciation charge	421	**421**
Accumulated depreciation at 31.12.2015	**421**	**421**
Net book amount at 31.12.2014	-	-
Net book amount at 31.12.2015	**59 101**	**59 101**

Depreciation

Total depreciation charge included in the following item of the statement of comprehensive income:

	2015	02.10.2013-31.12.2014
Administrative expenses	421	-
TOTAL:	**421**	**-**

Impairment

No impairment charge of the item "Property, plant and equipment" arose as a result of the impairment test.

Pledged assets

Information on pledged assets is provided in Note 20.

8. Investment property

Group

	Land	Buildings and constructions	Construction in progress	Prepayments for investment property	TOTAL
02.10.2013-31.12.2014					
Cost at 02.10.2013	-	-	-	-	-
Additions	257 372	6 748 089	236 201	2 626 683	**9 868 345**
Acquisition of subsidiaries on 04.12.2014	1 881 612	29 876 729	625 567	330 659	**32 714 567**
Put into operation	-	1 192 427	(861 768)	(330 659)	-
Capitalization of borrowing costs	-	117 066	-	-	**117 066**
Cost at 31.12.2014	**2 138 984**	**37 934 311**	**-**	**2 626 683**	**42 699 978**
Accumulated depreciation at 02.10.2013	-	-	-	-	-
Acquisition of subsidiaries on 04.12.2014	-	4 742 830	-	-	**4 742 830**
Depreciation charge	-	80 991	-	-	**80 991**
Accumulated depreciation at 31.12.2014	**-**	**4 823 821**	**-**	**-**	**4 823 821**
Net book amount at 02.10.2013	-	-	-	-	-
Net book amount at 31.12.2014	**2 138 984**	**33 110 490**	**-**	**2 626 683**	**37 876 157**
2015					
Cost at 31.12.2014	**2 138 984**	**37 934 311**	**-**	**2 626 683**	**42 699 978**
Additions	-	-	2 302 475	-	**2 302 475**
Put into operation	-	280 584	(228 553)	(52 031)	-
Capitalization of borrowing costs	-	22 345		-	**22 345**
Cost at 31.12.2015	**2 138 984**	**38 237 240**	**2 073 922**	**2 574 652**	**45 024 798**
Accumulated depreciation at 31.12.2014	-	**4 823 821**	-	-	4 823 821
Depreciation charge	-	828 496	-	-	**828 496**
Accumulated depreciation at 31.12.2015	**-**	**5 652 317**	**-**	**-**	**5 652 317**
Net book amount at 31.12.2014	**2 138 984**	**33 110 490**	**-**	**2 626 683**	**37 876 157**
Net book amount at 31.12.2015	**2 138 984**	**32 584 923**	**2 073 922**	**2 574 652**	**39 372 481**

Depreciation

Total depreciation charge included in the following item of the statement of comprehensive income:

	2015	02.10.2013-31.12.2014
Cost of sales	828 496	80 991
TOTAL:	**828 496**	**80 991**

Impairment

No impairment charge of the item "Investment property" arose as a result of the impairment test.

Pledged assets

Information on pledged assets is provided in Note 20.

Parent company

	Land	Buildings and constructions	Construction in progress	Prepayments for investment property	TOTAL
02.10.2013-31.12.2014					
Cost at 02.10.2013	-	-	-	-	-
Additions	257 372	6 698 623	2 524 395	87 803	**9 568 193**
Capitalization of borrowing costs	-	117 066	-	-	**117 066**
Cost at 31.12.2014	**257 372**	**6 815 689**	**2 524 395**	**87 803**	**9 685 259**
Accumulated depreciation at 02.10.2013	-	-	-	-	-
Depreciation charge	-	-	-	-	-
Accumulated depreciation at 31.12.2014	-	-	-	-	-
Net book amount at 02.10.2013	-	-	-	-	-
Net book amount at 31.12.2014	**257 372**	**6 815 689**	**2 524 395**	**87 803**	**9 685 259**
2015					
Cost at 31.12.2014	**257 372**	**6 815 689**	**2 524 395**	**87 803**	**9 685 259**
Additions	-	-	1 700 452	-	**1 700 452**
Reclassified	-	-	87 803	(87 803)	-
Capitalization of borrowing costs	-	-	22 345	-	**22 345**
Cost at 31.12.2015	**257 372**	**6 815 689**	**4 334 995**	-	**11 408 056**
Accumulated depreciation at 31.12.2014	-	-	-	-	-
Depreciation charge	-	**56 741**	-	-	**56 741**
Accumulated depreciation at 31.12.2015	-	**56 741**	-	-	**56 741**
Net book amount at 31.12.2014	**257 372**	**6 815 689**	**2 524 395**	**87 803**	**9 685 259**
Net book amount at 31.12.2015	**257 372**	**6 758 948**	**4 334 995**	-	**11 351 315**

Depreciation

Total depreciation charge included in the following item of the statement of comprehensive income:

	2015	02.10.2013-31.12.2014
Cost of sales	56 741	-
TOTAL:	**56 741**	-

Capitalization of borrowing costs

	2015	02.10.2013-31.12.2014
Capitalization of long-term loan interest (Note 36)	22 345	117 066
TOTAL:	**22 345**	**117 066**

Impairment

No impairment charge of the item "Investment property" arose as a result of the impairment test.

Pledged assets

Information on pledged assets is provided in Note 20.

Cadastral value, net book value and fair value of real estate property of the Group and the Parent company

Property	Cadastre No.	Cadastral value		Net book value Fair value (Level 2)	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014
Parent company					
Land on 12/14 Kalku Street, Riga, LV-1050	01000020074	440 633	440 633	257 372	257 372
Building on 12/14 Kalku Street, Riga, LV-1050	01000020074	2 140 515	2 142 820	6 758 948	6 815 689
	SUBTOTAL:	**2 581 148**	**2 583 453**	**7 016 320**	**7 073 061**
Land on 1 Kungu Street, Riga, LV-1050	01000010078	407 737	407 737	657 891	657 891
Building on 1 Kungu Street, Riga, LV-1050	01000010078	2 354 326	2 354 326	6 395 390	6 512 146
	SUBTOTAL:	**2 762 063**	**2 762 063**	**7 053 281**	**7 170 037**
Land on 2 Kramu Street, Riga, LV-1050	01000070115	202 844	202 844	127 205	127 205
Building on 2 Kramu Street, Riga, LV-1050	01000070115	948 739	948 739	2 904 480	2 973 471
	SUBTOTAL:	**1 151 583**	**1 151 583**	**3 031 685**	**3 100 676**
Land on 6-1 Kalku Street, Riga, LV-1050	01009101904	64 096	64 096	319 102	319 102
Land on 6-1E Kalku Street, Riga, LV-1050	01009104081	59 573	59 573		
Non-residential space on 6-1 Kalku Street, Riga, LV-1050	01009101904	497 219	497 219	1 673 880	1 725 210
Non-residential space on 6-1E Kalku Street, Riga, LV-1050	01009104081	100 600	100 600	118 216	118 746
	SUBTOTAL:	**721 488**	**721 488**	**2 111 198**	**2 163 058**
Land on 15 Kalku Street, Riga, LV-1050	01000090033	611 264	611 264	509 388	509 388
Building on 15 Kalku Street, Riga, LV-1050	01000090033	2 053 375	1 558 741	10 634 680	10 763 063
	SUBTOTAL:	**2 664 639**	**2 170 005**	**11 144 068**	**11 272 451**
Land on 19 Skunu Street, Riga, LV-1050	01000060034	186 452	186 452	268 026	268 026
Building on 19 Skunu Street, Riga, LV-1050	01000060034	353 467	353 467	4 099 329	4 202 165
	SUBTOTAL:	**539 919**	**539 919**	**4 367 355**	**4 470 191**
	TOTAL:	**10 420 840**	**9 928 511**	**34 723 907**	**35 249 474**

The carrying amounts of real estate approximate their fair values (Level 2), because they were purchased from unrelated parties on the free market, which is also the principal market (IFRS 13, p.58, B4).

Valuation process

The Group's and the Parent company's real estate property as at 31 December 2015 and 31 December 2014 was valued by independent professionally qualified valuer – LLC "Colliers International Advisors", reg.No. 40103255403.

Market value is calculated using the Discounted cash flow (income approach) method. Estimations are based on the signed lease agreements (contractual rent rates, agreement expiry terms, break clauses, reimbursable expenses) and property costs breakdown provided by the entities.

Valuation results

Valuation results of the real estate property's market value are as follows:

Name	Real estate property	Market value 31.12.2015	Market value 31.12.2014
SC "Baltic RE Group"	Land on 12/14 Kalku Street, Riga, LV-1050 Building on 12/14 Kalku Street, Riga, LV-1050	14 432 000	6 480 000
LLC "KEY 1"	Land on 1 Kungu Street, Riga, LV-1050 Building on 1 Kungu Street, Riga, LV-1050	8 978 000	7 740 000
LLC "Key 2"	Land on 2 Kramu Street, Riga, LV-1050 Building on 2 Kramu Street, Riga, LV-1050	3 661 000	3 320 000
LLC "KEY 6"	Land on 6-1 Kalku Street, Riga, LV-1050 Land on 6-1E Kalku Street, Riga, LV-1050 Non-residential space on 6-1 Kalku Street, Riga, LV-1050 Non-residential space on 6-1E Kalku Street, Riga, LV-1050	3 810 000	3 880 000
LLC "Key 15"	Land on 15 Kalku Street, Riga, LV-1050 Building on 15 Kalku Street, Riga, LV-1050	21 081 000	16 770 000
LLC "Skunu 19"	Land on 19 Skunu Street, Riga, LV-1050 Building on 19 Skunu Street, Riga, LV-1050	4 304 000	3 760 000

9. Investments in subsidiaries

		Interest (%)	Parent company 31.12.2015	Parent company 31.12.2014
Equity interests in BALTIC RE SPA, incl.			12 720 021	10 939 217
	Share capital	100% (till 22.01.2015 - 86%)	*10 000 000*	*8 600 000*
	Share premium		*2 720 021*	*2 339 217*
Equity interests in LLC "KEY 1" , incl.			2 787 481	1 583 479
	Share capital	25% (till 19.02.2015 - 12.66%)	*1 750 000*	*886 200*
	Share premium		*1 037 481*	*517 279*
	Prepayment for shares		-	*180 000*
Equity interests in LLC "KEY 6", incl.			1 650 970	8 056
	Share capital	51.66% (till 19.01.2015 - 0.27%)	*752 841*	*3 842*
	Share premium	(till 29.12.2015 - 11.66%)	*898 129*	*4 214*
Equity interests in LLC "Key 15", incl.			3 486 936	3 486 936
	Share capital	33%	*1 782 000*	*1 782 000*
	Share premium		*1 704 936*	*1 704 936*
		TOTAL:	**20 645 408**	**16 017 688**

Changes in the investments

	Parent company
At 2 October 2013	**-**
Acquisitions	16 017 688
At 31 December 2014	**16 017 688**
Acquisitions	6 127 720
Disposal (Note 41)	(1 500 000)
At 31 December 2015	**20 645 408**

Financial data of investee

	BALTIC RE SPA	LLC "KEY 1"	LLC "KEY 6"	LLC "Key 15"	**TOTAL**
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Equity	10 153 469	6 970 630	1 272 450	4 963 573	**23 360 122**
Total comprehensive income or loss	(142 339)	23 303	26 427	(211 220)	**(303 829)**
	31.12.2015	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Equity	10 644 548	7 078 124	1 325 348	5 444 242	**24 492 262**
Total comprehensive income or loss	491 078	126 068	52 898	480 669	**1 150 713**

10. Loans to related companies

	Maturity	Interest rate (%)	Parent company	
Non-current			31.12.2015	31.12.2014
Loan to related company	25.07.2030	2.55%	3 428 388	-
Loan to related company	25.03.2042	2.55%	2 119 367	420 000
Loan to related company	25.01.2044	2.55%	2 224 371	162 866
Loan to related company	25.08.2028	2.55%	5 870 672	-
Loan to related company	25.05.2044	2.55%	3 546 411	-
		SUBTOTAL:	**17 189 209**	**582 866**
Current				
Loan to related company	31.12.2016	2.55%	205 681	-
Loan to related company	31.12.2016	2.55%	58 140	172 845
Loan to related company	31.12.2016	2.55%	55 498	-
Loan to related company	31.12.2016	2.55%	384 960	-
Loan to related company	31.12.2016	2.55%	85 355	57 717
Debts from related companies	-	-	61 986	252
		SUBTOTAL:	**851 620**	**230 814**
		TOTAL:	**18 040 829**	**813 680**

On 6 January 2015 the Parent company took over concluded loan agreements with a credit institution from related companies - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19". As a result, the Parent company entered into a single loan agreement with the credit institution and concluded individual loan agreements with LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19" (Note 20).

The Parent company requested additional funding from the credit institution, which was restructured in accordance with the amount of funding necessary to related companies.

11. Trade receivables

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Trade receivables, carrying amount	702 391	81 099	162 379	989
Trade receivables, carrying amount – related companies	12 498	14 037	1 117	-
TOTAL:	**714 889**	**95 136**	**163 496**	**989**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are non-interest, repayable usually 5-12 days from date of the invoice. Trade receivables are neither past due, nor impaired

The carrying amounts of trade receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables.

There is no significant concentration of credit risk with respect to trade receivables, as the Group and the Parent company have a large number of tenants.

12. Other receivables

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Prepaid expense	140 670	21 360	74 935	3 346
Tax overpayment of Italian subsidiary	92 657	97 762	-	-
Overpayment of corporate income tax	78 268	-	78 268	-
Overpayment of value added tax	49 563	317 147	39 513	159 055
Overpayment of real estate tax	24	32	-	-
Overpayment of state fee of business risk	3	7	3	-
Overpayment of statutory social insurance contributions	-	127	-	115
Guarantee deposits	60 047	-	-	-
Guarantee deposits for rent of premises (Note 2.2.)	47 303	247 303	47 303	47 303
Advance payments for services	28 247	25	-	-
Loans to related companies	10 000	26 000	-	-
Doubtful debts	3 526	3 526	-	-
Allowance for doubtful debts	(3 526)	(3 526)	-	-
Payments to advance settlement parties	1 943	2 198	-	720
Loan to legal person	-	75 925	-	-
Settlements with other debtors for building services	-	6 646	-	6 646
Other receivables	263 607	24 128	208 324	13 391
TOTAL:	**772 332**	**818 660**	**448 346**	**230 576**

Movements in the allowance for doubtful debts

	Group	
	31.12.2015	31.12.2014
Allowance for doubtful debts at the beginning of the reporting year	3 526	-
Increase / (decrease) in the allowance for doubtful debts	-	3 526
TOTAL:	**3 526**	**3 526**

An allowance for doubtful debts is made when collection of the full amount is no longer probable.

13. Accrued income

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Invoices issued in the next reporting period, but refer to revenue of current reporting period	67 686	52 632	15 725	835
TOTAL:	**67 686**	**52 632**	**15 725**	**835**

14. Cash and cash equivalents

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash at bank, EUR	1 621 139	599 336	1 254 055	455 787
Cash on payment cards, EUR	17 635	13 136	7 647	3 994
TOTAL:	**1 638 774**	**612 472**	**1 261 702**	**459 781**

15. Non-current assets classifies as held for sale

The Group's subsidiary's BALTIC RE SPA investment in associate was classified as an asset held for sale following the approval of BALTIC RE SPA management in December 2014 to sell this investment. Shares of associate were completely sold in the 1st quarter of 2015.

Due to the fact that the fair value (sales price) less costs to sell was higher than the carrying amount of an asset, the asset held for sale in these financial statements is shown in its carrying amount.

16. Share capital

The share capital of the Parent company is composed of shareholders capital investment of EUR 24 853 452, the total authorised number of ordinary shares is 24 853 452 with a par value of EUR 1 per share. All issued shares are fully paid.

	Number of ordinary shares	Share capital
Balance as at 2 October 2013	-	-
Issue of shares	5 200 000	5 200 000
Balance as at 31 December 2014	**5 200 000**	**5 200 000**
Issue of shares, incl.	19 653 452	19 653 452
- debt capitalization	11 531 759	11 531 759
- equity contributions	6 621 693	6 621 693
- acquisition of subsidiary (Note 41)	1 500 000	1 500 000
Balance as at 31 December 2015	**24 853 452**	**24 853 452**

17. Other reserves

	Group			Parent company		
	Transactions with NCI	Reorganization reserve	**TOTAL**	Transactions with NCI	Reorganization reserve	**TOTAL**
At 2 October 2013	-	-	-	-	-	-
At 31 December 2014	-	-	-	-	-	-
Profit of merging company for the period	-	16 101	16 101	-	16 101	16 101
Transactions with NCI	(1 857 218)	-	(1 857 218)	-	-	-
At 31 December 2015	**(1 857 218)**	**16 101**	**(1 841 117)**	**-**	**16 101**	**16 101**

Reorganization reserve

This reserve is used to reflect the profit of merging company for the period LLC "HOE-GLOBAL PROPERTY SOLUTIONS" at the date of acquisition.

Transactions with non-controlling interests

This reserve is used to record the differences described in Note 2.3. "Consolidation - Changes in ownership interests in subsidiaries without change of control" which arises as a result of transactions with non-controlling interests.

18. Retained earnings / (loss)

	Group	Parent company
At 2 October 2013	-	-
Profit or loss for the period	(105 197)	(215 529)
At 31 December 2014	**(105 197)**	**(215 529)**
Profit or loss for the period	1 182 182	74 104
At 31 December 2015	**1 076 985**	**(141 425)**

19. Non-controlling interest

Name	Non-controlling interest (%)	Non-controlling interest
At 2 October 2013		-
BALTIC RE SPA	14%	1 407 351
LLC "KEY 1"	17.53%	158 166
LLC "Key 2"	44.78%	(72 388)
LLC "KEY 6"	23.76%	121 181
LLC "Key 15"	11.75%	582 977
LLC "Skunu 19"	14%	124 938
At 31 December 2014		**2 322 225**
Transactions with NCI (Note 42)	-	(2 322 225)
At 31 December 2015		-

Non-controlling interest included in the consolidated statement of comprehensive income reflects the net result attributable to non-controlling interest.

Due to the reorganization of the Group in early 2015 (Note 41), additional interest in subsidiary was acquired, as a result the Parent company's direct and indirect holding in subsidiaries comprises 100%. The Group recognised a decrease in non-controlling interests of EUR 2 322 225 and a decrease in equity attributable to owners of the parent of EUR 1 857 218 (Note 17).

20. Loans from credit institutions

			Group		Parent company	
Non-current	Interest rate (%)	Maturity	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loan from credit institution	2.25% + 3M EURIBOR	06.01.2020	25 950 389	-	25 950 389	-
Loan from credit institution	2.95% + 3M EURIBOR	06.11.2018	-	3 508 754	-	3 508 754
Subsidiary's loan from credit institution	2.7% + 6M EURIBOR	23.11.2017	-	3 372 323	-	-
Subsidiary's loan from credit institution	2.9% + 3M EURIBOR	04.04.2018	-	1 446 210	-	-
Subsidiary's loan from credit institution	2.9% + 3M EURIBOR	10.08.2016	-	1 051 667	-	-
Subsidiary's loan from credit institution	2.7% + 6M EURIBOR	20.11.2017	-	5 930 536	-	-
Subsidiary's loan from credit institution	2.034% + 3M EURIBOR	31.05.2018	-	2 668 526	-	-
		SUBTOTAL:	**25 950 389**	**17 978 016**	**25 950 389**	**3 508 754**

			Group		Parent company	
Current	Interest rate (%)	Maturity	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loan from credit institution	2.25% + 3M EURIBOR	31.12.2016	1 110 714	-	1 110 714	-
Loan from credit institution	2.95% + 3M EURIBOR	06.11.2018	-	249 667	-	249 667
Subsidiary's loan from credit institution	2.7% + 6M EURIBOR	23.11.2017	-	184 890	-	-
Subsidiary's loan from credit institution	2.9% + 3M EURIBOR	04.04.2018	-	60 235	-	-
Subsidiary's loan from credit institution	2.9% + 3M EURIBOR	10.08.2016	-	72 651	-	-
Subsidiary's loan from credit institution	2.7% + 6M EURIBOR	20.11.2017	-	377 626	-	-
Subsidiary's loan from credit institution	2.034% + 3M EURIBOR	31.05.2018	-	91 654	-	-
Subsidiary's loan from foreign credit institution	6%	31.12.2016	124 542	324 359	-	-
Subsidiary's loan from foreign credit institution	5.203%	31.12.2016	51 493	48 888	-	-
Subsidiary's loan from foreign credit institution	6%	31.12.2016	44 816	45 588	-	-
Subsidiary's loan from foreign credit institution	6.56%	31.12.2016	38 146	24 471	-	-
Subsidiary's loan from foreign credit institution	5.203%	31.12.2016	23 759	92 751	-	-
Subsidiary's loan from foreign credit institution	5.043%	31.12.2016	17 498	16 575	-	-
Subsidiary's loan from foreign credit institution	7.33%	31.12.2015	-	130 158	-	-
Subsidiary's loan from foreign credit institution	2.983%	22.04.2015	-	250 000	-	-
		SUBTOTAL:	**1 410 968**	**1 969 513**	**1 110 714**	**249 667**
		TOTAL:	**27 361 357**	**19 947 529**	**27 061 103**	**3 758 421**

On 6 January 2015 the Parent company took over loan agreements with a credit institution from related companies - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19", as well as restructured its loan agreement with the credit institution as of 2014. As a result, the Parent company entered into a single loan agreement with the credit institution and concluded individual loan agreements with LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15" and LLC "Skunu 19". Total loan amount from the credit institution is EUR 28 000 000.

The loan agreement concluded between the Parent company and the credit institution contains several conditions that the Parent company has to fulfil. Once a quarter, the Parent company has to report to the credit institution on the fulfilment of these conditions. As at the end of the reporting period the Parent company met financial conditions that were set.

Mortgage on real estate

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by a mortgage on real estate owned by the Group's subsidiaries – SC "Baltic RE Group", LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19".

Pledges

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by a pledge on SC "Baltic RE Group", LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" as assets in aggregate; BALTIC RE SPA shares owned in LLC "KEY 1", LLC "KEY 6" and LLC "Skunu 19"; LLC "KEY 6" shares owned in LLC "Key 2"; LLC "KEY 1" shares owned in LLC "Key 15". Maximum claim amount of the Group companies - SC "Baltic RE Group", LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" - secured with the pledge is EUR 56 000 000.

Guarantees

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by the Group companies' - LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" guarantees.

Financial pledge

According to the loan agreement with the credit institution, the Parent company's obligations against the credit institution are secured by financial pledge on all Parent company's deposits with the credit institution and all funds.

21. Borrowings

			Group	
Non-current	Maturity	Interest rate (%)	31.12.2015	31.12.2014
Loan received from natural person (unsecured)	31.12.2015	2.5%	-	60 000
Loan received from legal person (unsecured)	31.12.2017	2.5%	31 616	-
		SUBTOTAL:	**31 616**	**60 000**
Current				
Loan received from related company (minority shareholder) (unsecured)	February 2015	2%	-	250 000
Loan received from related company (unsecured)	18.09.2015	2.5%	-	31 616
		SUBTOTAL:	**-**	**281 616**
		TOTAL:	**31 616**	**341 616**

22. Payables to related companies

			Parent company	
Non-current	Maturity	Interest rate (%)	31.12.2015	31.12.2014
Loan received from related company	31.12.2020	2.55%	76 000	-
Loan received from related company	31.12.2017	2.55%	15 500	-
Loan received from related company	-	-	-	4 000
Loan received from related company	31.12.2020	2.55%	117 500	-
Loan received from related company	23.10.2017	3.20%	50 000	50 000
Loan received from related company	19.10.2017	3.20%	5 000	5 000
Loan received from related company	12.10.2017	3.20%	15 000	55 000
		SUBTOTAL:	**279 000**	**114 000**
Current				
Payables to BALTIC RE SPA for acquisition of LLC "KEY 6" shares	-	-	980 000	-
Payables to related companies	-	-	106 963	144 326
Loans received from related companies	31.12.2016	2.55%	22 000	-
		SUBTOTAL:	**1 108 963**	**144 326**
		TOTAL:	**1 387 963**	**258 326**

23. Other payables

	Group		Parent company	
Non-current	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Security deposits	321 783	279 938	181 626	113 969
Security deposits related to guarantee deposits (Note 12)	60 000	60 000	-	-
TOTAL:	**381 783**	**339 938**	**181 626**	**113 969**
Current				
Payables to related natural and legal persons (invested in the share capital in 2015)	-	12 350 752	-	12 223 552
Investments of related legal persons (invested in the share capital in 2015)	-	4 060 484	-	4 060 484
Payables taken over as a result of cession from related companies (invested in the share capital in 2015)	-	716 828	-	716 828
Unpaid bills and debts taken over as a result of cession from related companies	-	249 571	-	129 571
Investments of natural persons in the share capital	-	184 759	-	184 759
Salaries	105 208	17 831	-	1 431
Payments to advance settlement party	6 098	16 850	3 532	423
Other payables	724	-	724	-
TOTAL:	**112 030**	**17 597 075**	**4 256**	**17 317 048**
PAVISAM TOTAL:	**493 813**	**17 937 013**	**185 882**	**17 431 017**

24. Deferred revenue

	Group	
Non-current	31.12.2015	31.12.2014
Payment received for rent of premises	-	11 000
TOTAL:	**-**	**11 000**
Current		
Payment received for rent of premises	11 000	11 000
TOTAL:	**11 000**	**11 000**

25. Prepayments received from customers

	Group	
	31.12.2015	31.12.2014
Prepayments received from customers	-	2 881
Prepayments received from customers – related companies	-	4 862
TOTAL:	**-**	**7 743**

26. Trade payables

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Trade payables	290 611	829 265	18 078	59 949
Trade payables – construction companies	4 910	165 988	4 910	104 737
Trade payables – natural persons	63	701	63	701
Trade payables – related companies	-	787 880	-	469 244
Trade payables – from EU	-	3 700	-	3 700
TOTAL:	**295 584**	**1 787 534**	**23 051**	**638 331**

27. Taxes payable

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Personal income tax	41 662	40 662	2 056	193
Statutory social insurance contributions	31 362	30 744	3 349	-
Corporate income tax	21 865	-	-	-
Value added tax	8 841	1 171	-	-
Real estate tax	60	243	-	14
State fee of business risk	7	-	-	-
TOTAL:	**103 797**	**72 820**	**5 405**	**207**

28. Accrued liabilities

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Accrued liabilities	75 239	48 992	50 891	27 382
Accrued liabilities – related companies	20 975	395 088	-	110 653
Accrued liabilities – unused annual leaves	9 545	-	9 545	-
TOTAL:	**105 759**	**444 080**	**60 436**	**138 035**

29. Revenue

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Revenue from real estate lease / rental services, Latvia	2 603 255	152 616	348 021	6 700
Revenue from real estate management services, including utilities, compensation expenses – insurance, etc., Latvia	27 937	59 963	172 197	5 665
Revenue from other services (portfolio valuation, internal audit / control, organization of real estate valuation)	609 929	50 228	125 107	48 649
TOTAL:	**3 241 121**	**262 807**	**645 325**	**61 014**

The period of leases whereby the Group and the Parent company leases out its investment property under operating leases is two years or more.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
No later than 1 year	3 305 492	2 300 142	760 891	408 973
Later than 1 year and no later than 5 years	9 149 880	9 472 522	2 489 476	3 259 717
Later than 5 years	3 728 678	4 422 129	923 742	1 189 931
TOTAL:	**16 184 050**	**16 194 793**	**4 174 109**	**4 858 621**

30. Cost of sales

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Investment property depreciation	828 496	80 991	56 741	-
Property, plant and equipment depreciation	6 715	402	-	-
Salaries	43 790	12 703	35 043	12 703
State social insurance contributions	10 330	2 997	8 267	2 997
State fee of business risk	15	4	12	4
Increase / (decrease) of accruals for unused annual leaves	5 403	-	5 403	-
Utilities expenses	419 655	49 077	48 793	10 197
Investment property management expenses	54 756	107 021	74 826	77 228
Insurance payments	32 055	8 148	3 530	8 004
Intermediation costs	14 140	5 194	8 597	-
Current repair costs	12 936	3 265	6 231	1 008
Labour protection expenses	5 640	171	4 661	171
Legal, notary services	2 791	2 970	202	189
Commitment fees on mortgages booking	2 645	4 665	1 040	4 272
Security expenditure	2 424	2 140	548	756
State and local municipality fees	1 299	568	617	131
Current assets write off	617	21	695	21
Recruitment and training expenses	175	1 563	175	1 563
Management and administration expenses	-	6 392	-	-
Other costs	30 592	9 867	310	1 634
TOTAL:	**1 474 474**	**298 159**	**255 691**	**120 878**

31. Distribution costs

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Participation in the associations	1 000	833	1 000	833
Advertising costs	538	454	538	454
Other costs	38	444	-	-
TOTAL:	**1 576**	**1 731**	**1 538**	**1 287**

32. Administrative expenses

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Accounting services	175 195	18 727	500	18 148
Business trips expenses	65 459	37 678	27 663	33 460
Annual report and audit expenses	50 860	14 435	69 170	14 000
Rental expenses	37 269	10 623	15 583	6 800
Legal fees	30 298	9 110	17 242	9 110
Management and administrative personnel salaries	29 350	11 764	7 750	4 920
State social insurance contributions	27 512	2 566	1 828	1 180
State fee of business risk	59	16	14	12
Representation expenses in Latvia	22 417	6 084	14 767	5 635
Bank charges	17 565	1 189	4 722	875
Office expenses	11 686	1 552	4 200	1 160
Communication expenses	6 798	1 172	3 232	1 005
Property, plant and equipment depreciation	421	-	421	-
State and local municipality fees	10	-	-	-
Administrative support services	-	17 070	-	17 070
Reorganization expenses	-	-	8 638	-
Utilities and management of premises expenses	-	-	4 197	-
Real estate tax compensation	-	-	971	-
Non-business expenses	22 880	14 175	13 023	10 595
Donations	7	20	7	20
Other expenses	863	31 929	65 517	21 327
TOTAL:	**498 649**	**178 110**	**259 445**	**145 317**

33. Other operating income

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Received fines and penalties	87 164	-	67 838	-
Other income	8 121	13 448	2 586	-
TOTAL:	**95 285**	**13 448**	**70 424**	**-**

34. Other operating expense

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Paid fines and penalties	2 333	556	267	135
Losses from currency exchange rate fluctuations, net	7	362	6	362
Lost tax overpayment	-	492	-	-
Other expenses	82	7 993	82	-
TOTAL:	**2 422**	**9 403**	**355**	**497**

35. Finance income

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Interest income	4 136	909	429 081	-
TOTAL:	**4 136**	**909**	**429 081**	**-**

36. Finance costs

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Interest on long-term loan from credit institution	636 239	155 240	542 100	117 066
Interest expense on borrowing from legal persons	29 564	10 541	19 267	3 700
TOTAL:	**665 803**	**165 781**	**561 367**	**120 766**
Less: finance costs capitalised within investment property (Note 8)	(22 345)	(117 066)	(22 345)	(117 066)
TOTAL:	**643 458**	**48 715**	**539 022**	**3 700**

37. Corporate income tax

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Current corporate income tax for the year	(21 782)	-	-	-
Deferred corporate income tax	262 793	-	11 559	-
TOTAL income:	**241 011**	**-**	**11 559**	**-**

Numerical reconciliation between tax income and the product of accounting profit

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Profit or loss before tax	**1 056 061**	**(68 218)**	**88 779**	**(210 665)**
Expected tax charge, applying current tax rate of 15%	158 409	-	13 317	-
Real estate tax	(17 234)	-	(3 935)	-
Permanent differences	198 575	-	3 141	-
Changes in temporary differences	(98 739)	-	(964)	-
Actual corporate income tax income for the reporting period:	**241 011**	**-**	**11 559**	**-**

Deferred corporate income tax

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Temporary differences of intangible assets, fixed assets and investment property depreciation rates	658 258	-	6 428	-
Corporate income tax losses carried forward	(923 964)	-	(17 987)	-
Deferred corporate income tax asset:	**265 706**	**-**	**11 559**	**-**

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Deferred corporate income tax asset / liability at the beginning of the reporting period	-	-	-	-
(Decrease) / increase in the deferred corporate income tax asset in the reporting period	265 706	-	11 559	-
Deferred corporate income tax asset / liability at the end of the reporting period:	**265 706**	**-**	**11 559**	**-**

38. Other taxes

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Real estate tax on land and buildings	114 890	10 864	26 234	4 864
TOTAL:	**114 890**	**10 864**	**26 234**	**4 864**

39. Basic and diluted earnings or loss per share

Basic earnings or loss per share is calculated by dividing the profit or loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. The Parent company has no potential dilutive ordinary shares; therefore, diluted earnings per share are the same as the basic earnings per share.

Retrospective adjustments

The calculation of basic earnings per share is adjusted retrospectively, as the number of ordinary shares increased as a result of a capitalisation after the statement of financial position date, but before the financial statements were authorised for issue (see Note 44).

Basic earnings or loss per share was recalculated based on the new number of shares.

	2015	02.10.2013-31.12.2014
Net earnings or loss attributable to shareholders	1 182 182	(105 197)
Weighted average number of ordinary shares in issue	21 150 863	6 288 889
Basic and diluted earnings or loss per share:	**0.056**	**(0.017)**

40. Staff costs and number of employees

Key management compensation

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Board members				
Salaries	40 918	24 467	19 318	17 623
Statutory social insurance contributions	9 650	5 563	4 555	4 177
TOTAL:	**50 568**	**30 030**	**23 873**	**21 800**

The total personnel costs are included in the following statement of comprehensive income captions:

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Cost of sales	**54 120**	**15 700**	**43 310**	**15 700**
- salaries	43 790	12 703	35 043	12 703
- statutory social insurance contributions	10 330	2 997	8 267	2 997
Administrative expenses	**56 862**	**14 330**	**9 578**	**6 100**
- salaries	29 350	11 764	7 750	4 920
- statutory social insurance contributions	27 512	2 566	1 828	1 180
TOTAL:	**110 982**	**30 030**	**52 888**	**21 800**

Average number of employees

	Group		Parent company	
	2015	02.10.2013-31.12.2014	2015	02.10.2013-31.12.2014
Average number of employees during the reporting year	17	3	7	3
TOTAL:	**17**	**3**	**7**	**3**

41. Business combinations

On 25 February 2015 the Parent company SC "Baltic RE Group" acquired 100% of the share capital and voting rights of LLC "HOE-GLOBAL PROPERTY SOLUTIONS" registered in Latvia and obtained control of it. LLC "HOE-GLOBAL PROPERTY SOLUTIONS" activity is management of real estate on a fee or contract basis, renting and operating of own or leased real estate, real estate agencies, legal activities, accounting, bookkeeping and auditing activities, tax consultancy, as well as business and other management consultancy activities. The company was acquired in order to expand activities, combine resources, improve administrative processes and use more efficiently the infrastructure.

The following table summarises the fair value of recognised amounts of identifiable assets acquired and liabilities assumed, total identifiable net assets acquired, goodwill, consideration and net flow of cash and cash equivalents on acquisition:

		25.02.2015
Recognised amounts of identifiable assets acquired and liabilities assumed		
Assets		
Intangible assets		1 144
Property, plant and equipment		33 943
Other non-current assets		2 846
Trade receivables		131 519
Other receivables		89 962
Cash and cash equivalents		9 306
	TOTAL:	**268 720**
Liabilities		
Trade payables		20 875
Taxes		109 608
Other payables		78 904
	TOTAL:	**209 387**
TOTAL identifiable net assets:		**59 333**
Goodwill		**1 440 667**
Consideration – equity instruments		**1 500 000**
Less: cash and cash equivalents of subsidiary acquired		(9 306)
Net flow of cash and cash equivalents		**9 306**

SC "Baltic RE Group" increased its share capital in exchange of its shares to shares of its subsidiary, i.e. a property investment. Fair value of the consideration is EUR 1 500 000.

Goodwill is mainly related to the return, which is expected from synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group. Acquired subsidiary are recognized as a separate cash-generating unit, to which goodwill is allocated. Had subsidiary been consolidated from 1 January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of EUR 110 621 and profit before tax of EUR 56 487.

Reorganization

On 9 July 2015 the Board of the Parent company SC "Baltic RE Group" made a decision on reorganisation – merger, when acquiring company SC "Baltic RE Group" merged with 100% owned merging company LLC "HOE-GLOBAL PROPERTY SOLUTIONS". The reorganization was completed on 10 December 2015. After completion of the reorganization the Parent company recognized goodwill, which arose in a business combination, when the Parent company on 25 February 2015 acquired 100% of the share capital and voting rights of LLC "HOE-GLOBAL PROPERTY SOLUTIONS" and obtained control of it (Notes 5 and 9).

All the rights and obligations of the merging company were transferred to the acquiring company. Assets and liabilities of the acquired company were reflected in the financial statements of SC "Baltic RE Group" at their carrying value as at the date of the merger, excluding intercompany mutual balances and recognising the difference in reserves. Due to the fact that the merging company till the date of the reorganisation was subsidiary company of the Group, the performed reorganisation did not affect the financial results of the consolidated financial statements.

Information on business combinations in the previous reporting period

On 4 December 2014 the Parent company acquired 86% of the share capital and voting rights of BALTIC RE SPA registered in Italy and obtained control of it. BALTIC RE SPA activity is the management of subsidiaries, strategic development and real estate research and development. As a result of the acquisition, the Parent company obtained control of BALTIC RE SPA subsidiaries: LLC "KEY 1", LLC "Key 2", LLC "KEY 6", LLC "Key 15", LLC "Skunu 19" (see Note 4, "Group structure"), whose activity is real estate leasing / renting, as well as real estate management, current repairs, maintenance etc., contracted out to the outsourcing companies. A business combination took place with the aim to expand its activities in the market, combine resources and use more efficiently the existing infrastructure.

The following table summarises the fair value of recognised amounts of identifiable assets acquired and liabilities assumed, total identifiable net assets acquired, goodwill, non-controlling interest, contingent consideration and net flow of cash and cash equivalents on acquisition:

	BALTIC RE SPA	LLC "KEY 1"	LLC "Key 2"	LLC "KEY 6"	LLC "Key 15"	LLC "Skunu 19"	**TOTAL**
	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014
Recognised amounts of identifiable assets acquired and liabilities assumed							
Assets							
Property, plant and equipment	-	2 230	20 453	14 676	-	-	**37 359**
Investment property	-	7 110 377	3 070 098	2 130 794	11 214 016	4 446 452	**27 971 737**
Other non-current assets	10 907 188	3 644 000	-	523 100	-	-	**15 074 288**
Deferred income tax assets	100 963	-	-	-	-	-	**100 963**
Trade receivables	365 554	52 552	40 202	17 482	203 166	18 928	**697 884**
Other receivables	150 702	62 095	36 407	22 598	107 549	17 693	**397 044**
Cash and cash equivalents	17 035	15 258	141	88 513	259 821	3 528	**384 296**
TOTAL:	**11 541 442**	**10 886 512**	**3 167 301**	**2 797 163**	**11 784 552**	**4 486 601**	**44 663 571**
Liabilities							
Loans from credit institutions	413 516	3 576 127	1 506 446	1 124 318	6 341 338	2 760 180	**15 721 925**
Deferred income tax liabilities	-	49 793	-	-	-	-	**49 793**
Trade payables	768 908	130 948	270 999	129 380	181 595	155 251	**1 637 081**
Taxes	-	-	-	5 046	-	-	**5 046**
Other payables	518 424	106 116	424 201	261 867	295 048	664 853	**2 270 509**
TOTAL:	**1 700 848**	**3 862 984**	**2 201 646**	**1 520 611**	**6 817 981**	**3 580 284**	**19 684 354**
TOTAL identifiable net assets:	**9 840 594**	**7 023 528**	**965 655**	**1 276 552**	**4 966 571**	**906 317**	**24 979 217**

	BALTIC RE SPA	LLC "KEY 1"	LLC "Key 2"	LLC "KEY 6"	LLC "Key 15"	LLC "Skunu 19"	TOTAL
	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014	04.12.2014
Parent company's share of the identifiable net assets	**8 462 911**	**5 792 036**	**533 258**	**973 274**	**4 383 242**	**779 433**	**20 924 154**
Goodwill	**2 476 306**	**235 851**	**(213 308)**	**407 026**	**2 721 694**	**2 222 200**	**7 849 769**
Non-controlling interest	**1 377 683**	**158 711**	**(72 653)**	**122 156**	**583 329**	**126 884**	**2 296 110**
Consideration							
Cash	-	180 000	-	-	-	-	180 000
Contingent consideration	10 939 217	5 847 887	319 950	1 380 300	7 104 936	3 001 633	28 593 923
TOTAL:	**10 939 217**	**6 027 887**	**319 950**	**1 380 300**	**7 104 936**	**3 001 633**	**28 773 923**
Less: cash and cash equivalents of subsidiary acquired	(17 035)	(15 258)	(141)	(88 513)	(259 821)	(3 528)	(384 296)
Net flow of cash and cash equivalents	**(17 035)**	**164 742**	**(141)**	**(88 513)**	**(259 821)**	**(3 528)**	**(204 296)**

Obligations for contingent consideration are disclosed in the Note 23. Capitalization of debt took place in 1st quarter of 2015 (Notes 16 and 43).

Goodwill is mainly related to the return, which is expected from investment properties under a single brand of the Group and expected synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group. Acquired subsidiaries are recognized as separate cash-generating units, to which goodwill is allocated.

The Group recognised non-controlling interest in the acquired subsidiaries at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs of EUR 9 011 have been charged to administrative expenses in the consolidated statement of comprehensive income for the period 02.10.2013.-31.12.2014. The revenue included in the consolidated statement of comprehensive income since 4 December 2014 contributed by subsidiaries was EUR 201 793. Subsidiaries also contributed profit before tax of EUR 55 961 over the same period. Had subsidiaries been consolidated from 2 October 2013, the consolidated statement of comprehensive income would show pro-forma revenue of EUR 3 142 392 and loss before tax of EUR 659 682.

42. Transactions with non-controlling interests

Acquisition of additional interest in subsidiaries

Due to the reorganization of the Group in early 2015 (Note 4), additional interest in subsidiary was acquired, as a result the Parent company's direct and indirect holding in subsidiaries comprises 100%.

The Group recognised a decrease in non-controlling interests of EUR 2 322 225 and a decrease in equity attributable to owners of the parent of EUR 1 857 218.

The effect on the equity attributable to the owners of Parent company during the year is summarised as follows:

	BALTIC RE SPA	LLC "KEY 1"	LLC "Key 2"	LLC "KEY 6"	LLC "Key 15"	LLC "Skunu 19"	TOTAL
Carrying amount of non-controlling interests acquired	1 407 351	158 166	(72 388)	121 181	582 977	124 938	**2 322 225**
Consideration paid to non-controlling interests	-	-	(315 000)	(352 914)	-	-	**(667 914)**
Property investment	(1 957 527)	(1 384 002)	(170 000)	-	-	-	**(3 511 529)**
TOTAL reserve within equity:	**(550 176)**	**(1 225 836)**	**(557 388)**	**(231 733)**	**582 977**	**124 938**	**(1 857 218)**

43. Related party transactions

Terms and conditions of transactions with related parties

Services are provided to related parties and received from related parties on normal (usual) market prices and on normal commercial terms. Outstanding balances as at year-end are unsecured. There have been no guarantees provided or received for any related party receivables. The Group and the Parent company have not raised any provision for doubtful debts relating to amounts owed by related parties during the reporting period.

Parent company

The Group "Baltic RE Group" is controlled by SC "Baltic RE Group", registered by the address 19 Skunu Street, Riga, LV-1050, Latvia.

Parent company's direct and indirect holding in subsidiaries comprises 100% (Note 4).

Group

Key management compensation

Information on Key management compensation is provided in Note 40.

Loans to related parties

	31.12.2015	31.12.2014
LLC "THE BRIDGE GROUP" (Note 12)	10 000	26 000
TOTAL:	**10 000**	**26 000**

Loans from related parties

	31.12.2015	31.12.2014
Giannoni Raffaele (Note 21)	-	60 000
SFEM ITALIA S.R.L. (Note 21)	-	250 000
Lion Re Limited (Note 21)	31 616	31 616
TOTAL:	**31 616**	**341 616**

Year-end balances arising from sales of services

	31.12.2015	31.12.2014
LLC "Hedgehog Co." (Note 11)	11 480	14 037
LLC "OLO" (Note 11)	570	-
LLC "REFA REAL ESTATE FINANCIAL ADVISORS" (Note 11)	448	-
TOTAL:	**12 498**	**14 037**

Year-end balances arising from purchases of services, prepayments received and other debts

	31.12.2015	31.12.2014
LLC "HOE-GLOBAL PROPERTY SOLUTIONS" (Note 25)	-	4 862
LLC "HOE-GLOBAL PROPERTY SOLUTIONS" (Note 26)	-	611 706
LLC "Hedgehog Co." (Note 26)	-	89 054
LLC "Hansa Properties" (Note 26)	-	43 560
LLC "OLO" (Note 26)	-	43 560
Payables to related natural and legal persons [1] (Notes 16 and 23)	-	17 562 394
TOTAL:	**-**	**18 355 136**

[1] Capitalization of debt took place in the 1st quarter of 2015.

Parent company

Key management compensation

Information on Key management compensation is provided in Note 40.

Loans to related parties

	31.12.2015	31.12.2014
LLC "KEY 1" (Note 10)	3 634 069	-
LLC "Key 2" (Note 10)	2 177 507	592 845
LLC "KEY 6" (Note 10)	2 279 869	162 866
LLC "Key 15" (Note 10)	6 255 632	-
LLC "Skunu 19" (Note 10)	3 631 766	57 717
TOTAL:	**17 978 843**	**813 428**

Loans from related parties

	31.12.2015	31.12.2014
LLC "KEY 1" (Note 22)	76 000	-
LLC "Key 2" (Note 22)	2 000	-
LLC "KEY 6" (Note 22)	15 500	4 000
LLC "Key 15" (Note 22)	187 500	110 000
LLC "Skunu 19" (Note 22)	20 000	-
TOTAL:	**301 000**	**114 000**

Year-end balances arising from sales of services

	31.12.2015	31.12.2014
LLC "KEY 1" (Note 10)	7 809	252
LLC "Key 2" (Note 10)	5 983	-
LLC "KEY 6" (Note 10)	13 675	-
LLC "Key 15" (Note 10)	14 047	-
LLC "Skunu 19" (Note 10)	20 472	-
LLC "Hedgehog Co." (Note 11)	99	-
LLC "OLO" (Note 11)	570	-
LLC "REFA REAL ESTATE FINANCIAL ADVISORS" (Note 11)	448	-
TOTAL:	**63 103**	**252**

Year-end balances arising from purchases of services and other debts

	31.12.2015	31.12.2014
BALTIC RE SPA (Note 22)	980 000	127 200
LLC "KEY 1" (Note 22)	25 188	-
LLC "Key 2" (Note 22)	137	-
LLC "KEY 6" (Note 22)	29 118	-
LLC "Key 15" (Note 22)	43 989	13 453
LLC "Skunu 19" (Note 22)	8 531	3 673
LLC "Hedgehog Co." (Note 26)	-	18 771
LLC "HOE-GLOBAL PROPERTY SOLUTIONS" (Note 26)	-	363 353
LLC "Hansa Properties" (Note 26)	-	43 560
LLC "OLO" (Note 26)	-	43 560
Payables to related natural and legal persons [2] (Notes 16 and 23)	-	17 315 194
TOTAL:	**1 086 963**	**17 928 764**

[2] Capitalization of debt took place in the 1st quarter of 2015.

44. Events after the reporting period

Increase of share capital

The Parent company in 2016 increased the share capital up to EUR 25 000 000 through the equity contributions. From 11 April 2016 the Parent company's share capital is composed of shareholders capital investment of EUR 25 000 000, total authorised number of ordinary shares is 25 000 000 with a par value of EUR 1 per share.

Other than the above, there were no material events after the statement of financial position date requiring adjustment of or disclosure in the financial statements or notes there to.

Giovanni Dalla Zonca
Head of the Board

Nexia
Audit Advice

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders of
Stock Company "Baltic RE Group"
Reg.No. 40103716434

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Baltic RE Group SC and its subsidiaries (hereinafter - the Group) and the accompanying financial statements of Baltic RE Group SC (hereinafter - the Parent Company), set out on pages 9 through 59 of the accompanying Consolidated and Parent Company's Annual Report for the year of 2015 (hereinafter - the Financial Statements), which comprise the Group and the Parent Company's statement of financial position as at December 31, 2015, statement of comprehensive income, statement of cash flows and statement of changes in equity for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Nexia Audit Advice

Opinion

In our opinion, the consolidated financial statements and separate financial statements give a true and fair view of the financial position of the Group and the Parent Company as at December 31, 2015, and of its financial performance and its cash flows for the year of 2015 in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the management report for the year of 2015 (set out on pages 5 through 7 of the accompanying Consolidated and Parent Company's Annual Report for the year of 2015) and have not noted material inconsistencies between the financial information included in it and the financial statements for the year of 2015.

SIA "Nexia Audit Advice"
The Firm of Sworn Auditors, Licence No. 134

Marija Jansone
Member of the Board,
Responsible Sworn Auditor, Certificate No. 25

Andrejs Ponomarjovs
Chairman of the Board,
Director General

Riga, Latvia
May 31, 2016