

# ANNUAL REPORT

(Translation of the Estonian original)

**Beginning of the financial year:** 1 January 2015

**End of the financial year:** 31 December 2015

**Business name:** Northern Horizon Capital AS

**Commercial Registry no:** 11025345

**Address:** Hobujaama tn 5

**City:** Tallinn

**County:** Harju county

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This version of the report is a translation from the original, which was prepared in Estonian.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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## Management report

Northern Horizon Capital AS is an entity established on 24 March 2004 for the management of real estate and real estate investments. The founder and the parent company of Northern Horizon Capital AS is Northern Horizon Capital A/S registered in the Kingdom of Denmark. Northern Horizon Capital AS is a management company of Baltic Opportunity Fund that is registered with the Estonian Financial Supervisory Authority.

In 2015, the Company's revenue amounted to EUR 582,061 (2014: EUR 432,697) and the net profit to EUR 464,069 (2014: EUR 397,257).

As at 31 December 2015, the Company had 1 employee (31.12.2014: 1 employee) whose salary totalled EUR 69,096 (2014: EUR 62,502).

As at year end date the Management Board consists of two members. No remuneration were paid to the members of the Management Board.

The Supervisory Board consists of three members who received no remuneration.

At 14.10.2009, the Estonian Financial Supervisory Authority granted Northern Horizon Capital AS an activity license of a fund management company and the company is continuing its operations as a licensed fund management company under the supervision of the Estonian Financial Supervision Authority to this day.

In 2016, Northern Horizon Capital AS will continue its activities in the field of investment management and plans to increase the volume of managed assets.

### Key financial ratios:

		2015	2014
Revenue change		35%	24%
Equity change		14%	14%
<b>Liquidity ratios</b>			
Current ratio	current assets/ short-term liabilities	81.57	69.04
Quick ratio	(current assets – inventories – prepayments)/short-term liabilities	81.01	68.56
Cash ratio	cash/ short-term liabilities	7.49	7.74
<b>Profitability ratios</b>			
Net profit margin	net profit/ revenue	79.73%	91.81%
ROA	net profit/ average of total assets	13.27%	12.97%
ROE	net profit/ average of equity	13.45%	13.16%
<b>Leverage ratios</b>			
Debt ratio	total liabilities/ total liabilities and equity	1.23%	1.45%
Debt-to-equity ratio	total liabilities / equity	1.24%	1.47%

## Financial statements

### Balance sheet

(in EUR)

	31.12.2015	31.12.2014	Note
Assets			
Current assets			
Cash and cash equivalents	342,202	365,709	2
Receivables and prepayments	3,384,123	2,898,502	3
<b>Total current assets</b>	<b>3,726,325</b>	<b>3,264,211</b>	
Non-current assets			
Property, plant and equipment	1,259	899	
<b>Total non-current assets</b>	<b>1,259</b>	<b>899</b>	
<b>Total assets</b>	<b>3,727,584</b>	<b>3,265,110</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	45,683	47,278	6
<b>Total current liabilities</b>	<b>45,683</b>	<b>47,278</b>	
<b>Total liabilities</b>	<b>45,683</b>	<b>47,278</b>	
Equity			
Issued capital	125,000	125,000	8
Statutory reserve capital	12,500	12,500	8
Retained earnings (loss)	3,080,332	2,683,075	
Annual period profit (loss)	464,069	397,257	
<b>Total equity</b>	<b>3,681,901</b>	<b>3,217,832</b>	
<b>Total liabilities and equity</b>	<b>3,727,584</b>	<b>3,265,110</b>	

## Income statement

(In EUR)

	2015	2014	Note
Revenue	582,061	432,697	9
Cost of sales	-225,270	-140,251	10
<b>Gross profit (loss)</b>	<b>356,791</b>	<b>292,446</b>	
Distribution costs	-4,695	-4,058	
Administrative expense	-11,709	-20,375	11
<b>Profit (loss)</b>	<b>340,387</b>	<b>268,013</b>	
Other financial income and expense	123,682	129,244	13
<b>Profit (loss) before tax</b>	<b>464,069</b>	<b>397,257</b>	
<b>Annual period profit (loss)</b>	<b>464,069</b>	<b>397,257</b>	

## Cash flow statement

(In EUR)

	2015	2014	Note
Cash flows from operating activities			
Profit (loss)	340,387	268,013	
Adjustments			
Depreciation and impairment loss (reversal)	309	420	
<b>Total adjustments</b>	<b>309</b>	<b>420</b>	
Changes in receivables and prepayments related to operating activities	-203,360	-50,692	3
Changes in payables and prepayments related to operating activities	-1,595	7,297	6
<b>Total cash flows from operating activities</b>	<b>135,741</b>	<b>225,038</b>	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-669	0	
Loans given	-545,000	0	14
Repayments of loans given	262,739	0	14
Interest received	123,741	28	13
<b>Total cash flows from investing activities</b>	<b>-159,189</b>	<b>28</b>	
<b>Total cash flows</b>	<b>-23,448</b>	<b>225,066</b>	
Cash and cash equivalents at beginning of period	365,709	140,740	2
<b>Change in cash and cash equivalents</b>	<b>-23,448</b>	<b>225,066</b>	
Effect on exchange rate changes on cash and cash equivalents	-59	-97	
Cash and cash equivalents at end of period	342,202	365,709	2

## Statement of changes in equity

(In EUR)

				<b>Total</b>
	Issued capital	Statutory reserve capital	Retained earnings (loss)	
<b>31.12.2013</b>	125,000	12,500	2,683,075	2,820,575
Annual period profit (loss)	0	0	397,257	397,257
<b>31.12.2014</b>	125,000	12,500	3,080,332	3,217,832
Annual period profit (loss)	0	0	464,069	464,069
<b>31.12.2015</b>	125,000	12,500	3,544,401	3,681,901

Additional information about share capital is disclosed in Note 8.

## Notes to the financial statements

### Note 1 Accounting principles

#### General information

The 2015 financial statements of Northern Horizon Capital AS have been prepared in accordance with the generally accepted accounting principles in Estonia. The accounting principles generally accepted in Estonia are prescribed by the Accounting Act and supplemented by the guidelines issued by the Accounting Standards Board. Financial statements are presented in euros.

#### Cash

In the balance sheet and cash flow statement, cash and cash equivalents include cash in hand, bank account balances and term deposits with original maturities of three months or less.

#### Foreign currency transactions and financial assets and liabilities denoted in foreign currency

The Company's functional currency is euro. Foreign currency transactions are translated using the European Central Bank exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated into functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recognized in the income statement of the accounting period.

#### Receivables and prepayments

Trade receivables, accrued income and other short and long-term receivables (incl. loan receivables, deposits) are measured at amortised cost. At each balance sheet date the management assess whether there are signs of financial assets impairment. If there are before mentioned signs the financial assets at amortized cost will be write-down to the present value of future expected collectible amount. Impairment losses are recognized as expense in the income statement.

#### Property, plant and equipment and intangible assets

Property, plant and equipment is carried in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. The straight-line method is used for determining depreciation. The ranges of useful lives of non-current assets are 2-5 years.

#### Leases

Leases which transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The company as the lessee

The finance lease is recognized as an asset and a liability in the balance sheet at amounts equal to the fair value of the leased asset or at the present value of the minimum lease payments, if lower. Lease payments are allocated to the interest expense and the reduction of the residual value of the liability.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### Financial liabilities

Financial liabilities (trade payables, accrued expenses) are measured at amortized cost.

#### Provisions and contingent liabilities

Provision is recognized when the entity has a present legal or constructive obligation as a result of events that occurred before the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Other potential or present obligations whose settlement is less probable than its non-settlement or whose amount cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.



**Statutory reserve capital**

According to the Commercial Code each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

**Revenue**

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the goods have been transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and the receipt of economic benefits associated with the transaction is probable.

Revenue from the sale of services is recorded upon the provision of services or, when services are performed over a longer period of time, based on the stage of completion.

**Taxation**

The corporate income tax arising from the payment of dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date.

**Related parties**

In preparing the financial statements of Northern Horizon Capital AS, the following entities have been considered as related parties:

- 1) owners (parent and the persons controlling or having significant influence over the parent);
- 2) other entities in the same consolidation group (incl. fellow subsidiaries);
- 3) management and supervisory boards;
- 4) close relatives of the persons described above and the entities under their control.

**Note 2 Cash**

(in EUR)

	31.12.2015	31.12.2014
Bank accounts	342,202	365,709
<b>Total cash</b>	<b>342,202</b>	<b>365,709</b>

**Note 3 Receivables and prepayments**

(in EUR)

	31.12.2015	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	141,196	141,196	0	0	14
Tax prepayments and receivables	767	767	0	0	4
Other receivables	3,070,705	3,070,705	0	0	5
Loan receivables	2,997,852	2,997,852	0	0	5,14
Accrued income	72,853	72,853	0	0	14
Prepayments	24,613	24,613	0	0	
Deferred expenses	18,098	18,098	0	0	
Other paid prepayments	6,515	6,515	0	0	
Other receivables	146,842	146,842	0	0	
<b>Total receivables and prepayments</b>	<b>3,384,123</b>	<b>3,384,123</b>	<b>0</b>	<b>0</b>	

	31.12.2014	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	110,975	110,975	0	0	14
Other receivables	2,764,443	2,764,443	0	0	5
Loan receivables	2,586,277	2,586,277	0	0	5,14
Interest receivables	129,313	129,313	0	0	5,14
Accrued income	48,853	48,853	0	0	14
Prepayments	22,931	22,931	0	0	
Deferred expenses	20,526	20,526	0	0	
Other paid prepayments	2,405	2,405	0	0	
Other receivables	153	153	0	0	
<b>Total receivables and prepayments</b>	<b>2,898,502</b>	<b>2,898,502</b>	<b>0</b>	<b>0</b>	

Other receivables as of 31.12.2015 include costs in the amount of EUR 146,529 related to new fund establishment that will be recharged to new fund during 2016.

**Note 4 Prepaid taxes and tax liabilities**

(in EUR)

	31.12.2015		31.12.2014	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Corporate income tax	0	396	0	195
Value added tax	0	0	0	23
Personal income tax	0	663	0	695
Social tax	0	1,546	0	1,426
Contributions to mandatory funded pension	0	72	0	72
Unemployment insurance tax	0	86	0	108
Prepayment account balance	767		0	
<b>Total tax prepayments and liabilities</b>	<b>767</b>	<b>2,763</b>	<b>0</b>	<b>2,519</b>

Information on prepaid taxes is disclosed in Note 3 and on tax liabilities is disclosed in Note 6.

**Note 5 Other receivables**

(in EUR)

	31.12.2015	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Loan receivables	2,997,852	2,997,852	0	0				
Loan to the parent company	2,997,852	2,997,852	0	0	4%	EUR	31.12.2016	3,14
Accrued income	72,853	72,853	0	0				3,14
<b>Total other receivables</b>	<b>3,070,705</b>	<b>3,070,705</b>	<b>0</b>	<b>0</b>				

	31.12.2014	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Loan receivables	2,586,277	2,586,277	0	0				
Loan to the parent company	262,739	262,739	0	0	5%	EUR	30-day notice period	3,14
Loan to the parent company	2,323,538	2,323,538	0	0	5%	EUR	31.12.2015	3,14
Interest receivables	129,313	129,313	0	0				
Accrued interest from loan to the parent company	129,313	129,313	0	0				3
Accrued income	48,853	48,853	0	0				3,14
<b>Total other receivables</b>	<b>2,764,443</b>	<b>2,764,443</b>	<b>0</b>	<b>0</b>				

**Note 6 Payables and prepayments**

(in EUR)

	31.12.2015	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	6,831	6,831	0	0	
Tax payables	2,763	2,763	0	0	4
Other payables	36,089	36,089	0	0	
<b>Total payables and prepayments</b>	<b>45,683</b>	<b>45,683</b>	<b>0</b>	<b>0</b>	

	31.12.2014	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	1,307	1,307	0	0	
Tax payables	2,519	2,519	0	0	4
Other payables	43,452	43,452	0	0	
<b>Total payables and prepayments</b>	<b>47,278</b>	<b>47,278</b>	<b>0</b>	<b>0</b>	

As of 31.12.2015, trade payables include payables to related parties in the amount of EUR 1,476 (31.12.2014: EUR 7,630), see Note 14.

**Note 7 Contingent liabilities and assets**

(in EUR)

	31.12.2015	31.12.2014
<b>Contingent liabilities</b>		
Distributable dividends	2,835,521	2,464,266
Income tax liability on distributable dividends	708,880	616,066
<b>Total contingent liabilities</b>	<b>3,544,401</b>	<b>3,080,332</b>

The calculation of the maximum potential income tax liability is based on the assumption that the sum of distributable net dividends and the accompanying income tax on payments in 2016 may not exceed distributable profit as of 31.12.2015.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

**Note 8 Share capital**

(in EUR)

	31.12.2015	31.12.2014
Share capital	125,000	125,000
Number of shares (pcs)	12,500	12,500
Nominal value of shares	10	10

**Note 9 Revenue**

(in EUR)

	2015	2014	Note
Net sales by geographical location			
Net sales in European Union			
Estonia	582,061	432,697	14
<b>Total net sales in European Union</b>	<b>582,061</b>	<b>432,697</b>	
<b>Total net sales</b>	<b>582,061</b>	<b>432,697</b>	
Net sales by operating activities			
Fund management	582,061	432,697	14
<b>Total net sales</b>	<b>582,061</b>	<b>432,697</b>	

**Note 10 Cost of goods and services sold**

(in EUR)

	2015	2014	Note
Transportation expense	0	631	
Leases	7,628	4,891	
Miscellaneous office expenses	6,309	5,364	
Travel expense	23,309	13,239	
Training expense	1,740	1,599	
Labour expense	95,577	76,672	12
Depreciation	309	420	
Legal and other consultations	55,614	12,569	
Other	34,784	24,866	
<b>Total cost of goods sold</b>	<b>225,270</b>	<b>140,251</b>	

Other expenses include expenses related to the fund management in the amount of EUR 19,849 (2014: EUR 12,975).

**Note 11 Administrative expenses**

(in EUR)

	2015	2014
Other	560	326
Legal and other consultations	11,149	20,049
<b>Total administrative expense</b>	<b>11,709</b>	<b>20,375</b>

**Note 12 Staff costs**

(in EUR)

	2015	2014	Note
Wage and salary expense	52,061	46,548	
Social security taxes	17,035	15,504	
Employee insurance	331	295	
Other	26,150	14,325	
<b>Total labour expense</b>	<b>95,577</b>	<b>76,672</b>	10
<b>Average number of employees in full time equivalent units</b>	<b>1</b>	<b>1</b>	

**Note 13 Other finance income and expenses**

(in EUR)

	2015	2014	Note
Interest income from loans	123,734	129,313	14
Interest income from deposits	7	28	
Other interest income	-59	-97	
<b>Total other financial income and expense</b>	<b>123,682</b>	<b>129,244</b>	

**Note 14 Related parties**

(in EUR)

Parent company of the accounting entity	Northern Horizon Capital A/S
Country of registration of the parent company of the accounting entity	Denmark

**Related party balances according to groups**

	31.12.2015		31.12.2014	
	Receivables	Liabilities	Receivables	Liabilities
Parent company	2,997,851	0	2,715,591	0
Other entities belonging into same consolidation group	0	1,476	0	7,630
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	214,049	0	159,828	0

2015	Purchases	Sales	Given loans	Given loans repayments
Parent company	3,448	0	545,000	262,739
Other entities belonging into same consolidation group	6,922	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	582,061	0	0

<b>2014</b>	<b>Purchases</b>	<b>Sales</b>	<b>Given loans</b>
Parent company	1,995	0	374,534
Other entities belonging into same consolidation group	6,005	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	432,697	0

<b>Remuneration and other significant benefits calculated for members of management and highest supervisory body</b>		
	<b>2015</b>	<b>2014</b>
Remuneration	69,096	62,502

Northern Horizon Capital AS has sold fund management services (these transactions are reflected in the table above under row "Members of the management and supervisory boards and private persons with significant shareholding and companies under their control or significant influence") and purchased IT, events organizing, office and other forward rendered services from related parties.

In 2015, a loan in the amount of EUR 545,000 was granted to the parent company. In 2015, the loan granted to the parent company increased by previously calculated interest receivables of EUR 129,313 which was added to the loan principal amount. Interest income from loans to parent company totalled EUR 123,741 (2014: EUR 129,313).

In case of premature termination of the employment contract with the members of the Management Board, the Company has an obligation to pay termination compensation (one month average salary according to the contracts in effect at the balance sheet date which is based on the Employment Contracts Act in force).

In 2015 and 2014, no impairment was recognised in respect of accounts receivable from related parties. Further information on related party transactions and balances have been disclosed in Notes 3, 5, 9 and 13.



## **INDEPENDENT AUDITOR'S REPORT**

(Translation of the Estonian original)\*

To the Shareholder of Northern Horizon Capital AS

We have audited the accompanying financial statements of Northern Horizon Capital AS (the Company), which comprise the balance sheet as of 31 December 2015 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management Board's Responsibility for the Financial Statements**

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Estonia, and for such internal control as the Management Board 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 about 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.





## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Estonia.

AS PricewaterhouseCoopers

/signed/

Tiit Raimla  
Auditor's Certificate No. 287

/signed/

Rando Rand  
Auditor's Certificate No. 617

24 March 2016

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*\* This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

*This independent auditor's report (translation of the Estonian original) should only be used with the annual report submitted into electronic Company Registration Portal in Centre of Registers and Information Systems.*

# Signatures of the Management Board to the 2015 Annual Report

We hereby confirm the correctness of the data presented in the annual report of Northern Horizon Capital AS:

.....  
Tarmo Karotam  
Member of the Management Board

.....  
Ausra Stankeviciene  
Member of the Management Board

.....  
Algirdas Jonas Vaitiekunas  
Member of the Management Board