

## **K/S Hardy Avenue**

c/o Advodan I/S, Kanalstræde 10  
4300 Holbæk  
Central Business Registration No  
28678258

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 29.05.2017

### **Chairman of the General Meeting**

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Name: Peter Møgelberg Hansen

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## Entity details

### Entity

K/S Hardy Avenue  
c/o Advodan I/S, Kanalstræde 10  
4300 Holbæk

Central Business Registration No: 28678258

Registered in: Holbæk

Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Peter Møgelberg Hansen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Ndr. Ringgade 70A  
4200 Slagelse

## **Statement by Management on the annual report**

The Board of Directors and the Executive Board have today considered and approved the annual report of K/S Hardy Avenue for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Holbæk, 29.05.2017

### **Board of Directors**

Peter Møgelberg Hansen

## Independent auditor's reports

### To the shareholders of K/S Hardy Avenue

#### Report on extended review of the financial statements

We have performed an extended review of the financial statements of K/S Hardy Avenue for the financial year 01.01.2016 - 31.12.2016. The financial statements, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes, are prepared in accordance with the Danish Financial Statements Act.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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 the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

#### Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's assets, liabilities and financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

#### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially

## Independent auditor's reports

inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Slagelse, 29.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Anders Søding Paulsen  
State Authorised Public Accountant

## Management commentary

### Primary activities

The Entity's primary activities consist of renting out the property located at Brierfield House, Hardy Avenue, Brierfield, Nelson, Lancashire BB9 5RN.

### Development in activities and finances

The Entity's net profit is DKK (847k) before fair value adjustment etc.

Adjustment of property and debt at fair value is a net expense of DKK (257k). The rent will be adjusted in accordance with the development of price index, however a minimum of 2.0% and a maximum of 4.0% per year.

Profit for the year is DKK (1,104k).

The Entity's equity is DKK 20,794k at 31 December 2016.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Revenue		1.337.016	1.382
Fair value adjustments of investment property		(2.728.956)	1.637
Fair value adjustments of debt		2.471.576	(963)
Other external expenses		<u>(122.230)</u>	<u>(86)</u>
<b>Operating profit/loss</b>		<b>957.406</b>	<b>1.970</b>
Income from investments in group enterprises		(826.411)	2.487
Other financial income	1	1.142.656	1.192
Financial expenses from group enterprises		(7.918)	0
Other financial expenses	2	<u>(2.369.923)</u>	<u>(2.242)</u>
<b>Profit/loss for the year</b>		<b><u>(1.104.190)</u></b>	<b><u>3.407</u></b>
<b>Proposed distribution of profit/loss</b>			
Transferred to reserve for net revaluation according to the equity method		(1.373.198)	2.487
Retained earnings		<u>269.008</u>	<u>920</u>
		<b><u>(1.104.190)</u></b>	<b><u>3.407</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Investment property		19.557.360	22.286
<b>Property, plant and equipment</b>	3	<b>19.557.360</b>	<b>22.286</b>
Investments in group enterprises		16.252.626	17.619
Receivables from group enterprises		15.702.120	18.292
<b>Fixed asset investments</b>	4	<b>31.954.746</b>	<b>35.911</b>
<b>Fixed assets</b>		<b>51.512.106</b>	<b>58.197</b>
Receivables from group enterprises		0	261
Other receivables		4.548	8
<b>Receivables</b>		<b>4.548</b>	<b>269</b>
<b>Cash</b>		<b>2.597.315</b>	<b>2.435</b>
<b>Current assets</b>		<b>2.601.863</b>	<b>2.704</b>
<b>Assets</b>		<b>54.113.969</b>	<b>60.901</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital	5	100.000	884
Reserve for net revaluation according to the equity method		16.245.125	17.619
Retained earnings		4.448.931	4.180
<b>Equity</b>		<b><u>20.794.056</u></b>	<b><u>22.683</u></b>
Mortgage debts		30.764.578	35.826
Payables to group enterprises		1.924.687	1.943
<b>Non-current liabilities other than provisions</b>	6	<b><u>32.689.265</u></b>	<b><u>37.769</u></b>
Payables to group enterprises		212.902	0
Payables to associates		170.036	158
Other payables	7	141.758	172
Deferred income		105.952	119
<b>Current liabilities other than provisions</b>		<b><u>630.648</u></b>	<b><u>449</u></b>
<b>Liabilities other than provisions</b>		<b><u>33.319.913</u></b>	<b><u>38.218</u></b>
<b>Equity and liabilities</b>		<b><u>54.113.969</u></b>	<b><u>60.901</u></b>
Mortgages and securities	8		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK</b>	<b>Reserve for net revaluation according to the equity method DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	883.757	17.618.323	4.179.923	22.682.003
Decrease of capital	(783.757)	0	0	(783.757)
Profit/loss for the year	0	(1.373.198)	269.008	(1.104.190)
<b>Equity end of year</b>	<b>100.000</b>	<b>16.245.125</b>	<b>4.448.931</b>	<b>20.794.056</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Other financial income</b>		
Financial income arising from group enterprises	1.142.656	1.143
Interest income	0	1
Exchange rate adjustments	0	48
	<b><u>1.142.656</u></b>	<b><u>1.192</u></b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Other financial expenses</b>		
Financial expenses from group enterprises	0	8
Interest expenses	1.983.350	2.234
Exchange rate adjustments	386.573	0
	<b><u>2.369.923</u></b>	<b><u>2.242</u></b>

## Notes

	<b>Investment property DKK</b>
	<u>DKK</u>
<b>3. Property, plant and equipment</b>	
Cost beginning of year	36.053.087
<b>Cost end of year</b>	<b><u>36.053.087</u></b>
Revaluations beginning of year	(13.766.771)
Revaluations for the year	<u>(2.728.956)</u>
<b>Revaluations end of year</b>	<b><u>(16.495.727)</u></b>
<b>Carrying amount end of year</b>	<b><u>19.557.360</u></b>

The investment of the Entity is recognised in the annual report at market value according to a yield based valuation model. The property is leased to one tenant on a very long tenure (until September 2035) and with an obligation for the tenant to incur all expenses regarding the property throughout the tenure. Thus, the property generates a very steady and predictable operating return. Therefore, a yield based valuation model is preferable. The property is recognised at a valuation of DKK 19,557k at 31.12.2016 according to the management's valuation model using a yield of 6.5%

	<b>Investments in group enterprises DKK</b>	<b>Receivables from group enterprises DKK</b>
	<u>DKK</u>	<u>DKK</u>
<b>4. Fixed asset investments</b>		
Cost beginning of year	1	18.292.428
<b>Cost end of year</b>	<b><u>1</u></b>	<b><u>18.292.428</u></b>
Revaluations beginning of year	17.618.323	0
Share of profit/loss for the year	(826.411)	0
Dividend	(400.000)	0
Reversal regarding disposals	<u>(139.287)</u>	<u>0</u>
<b>Revaluations end of year</b>	<b><u>16.252.625</u></b>	<b><u>0</u></b>
Exchange rate adjustments	<u>0</u>	<u>(2.590.308)</u>
<b>Impairment losses end of year</b>	<b><u>0</u></b>	<b><u>(2.590.308)</u></b>
<b>Carrying amount end of year</b>	<b><u>16.252.626</u></b>	<b><u>15.702.120</u></b>

## Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>		
<b>5. Contributed capital</b>					
Ordinary shares	100	1000	100.000		
	<b>100</b>		<b>100.000</b>		
	<b>2016 DKK</b>	<b>2015 DKK</b>	<b>2014 DKK</b>	<b>2013 DKK</b>	<b>2012 DKK</b>
<b>Changes in contributed Capital</b>					
Contributed capital beginning of year	883.757	687.603	500.000	660	660
Increase of capital	0	196.153	187.603	499.340	0
Decrease of capital	-783.757	0	0	0	0
<b>Contributed capital end of year</b>	<b>100.000</b>	<b>883.756</b>	<b>687.603</b>	<b>500.000</b>	<b>660</b>

The Entity's share capital amounts to DKK 100k. DKK 100k has been paid in cash to the Entity.

	<u>Outstanding after 5 years DKK</u>
<b>6. Liabilities other than provisions</b>	
Mortgage debts	30.764.578
Payables to group enterprises	2.563.141
	<b>33.327.719</b>

The Entity's debt to mortgage lender is based on a fixed term and interest rates and tenure until 31 July 2024. Prepayments of the mortgage debt are subject to fixed rate breakage costs.

	<u>2016 DKK</u>	<u>2015 DKK'000</u>
<b>7. Other payables</b>		
Accrued interests	98.008	114
Other costs payable	43.750	58
	<b>141.758</b>	<b>172</b>

## Notes

### **8. Mortgages and securities**

The Entity has entered into a loan agreement with Bank of Ireland together with K/S Hardy Avenue, K/S Crane Lane and K/S Meadow Way. The loan is secured through legal charge of the entities' property and rental income. The book value of the mortgaged property is DKK 19,557k. Furthermore, the Entity's cash assets have been pledged in favor of the bank. The pledged accounts comprise DKK 2,597k.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

### Income statement

#### Revenue

Rental income is recognised in the income statement for the period to which the income relates.

#### Fair value adjustments of investment property

Fair value adjustment of investment property comprises adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

#### Income from investments in group enterprises

## Accounting policies

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Balance sheet

#### Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date. Fair value is determined by applying the return-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required rate of return that reflects current market required rates of return for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

#### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Receivables

## Accounting policies

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Deferred income**

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.