

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

## **Annual report 2017**

The Annual General Meeting adopted the annual report on 08.06.2018

### **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: 01.01.2017 - 31.12.2017

### 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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 08.06.2018

### **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 01.01.2017 - 31.12.2017. 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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 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, 08.06.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Anders Søding Paulsen  
State Authorised Public Accountant  
Identification number (MNE) mne34326

## 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 1,304k before fair value adjustment etc.

Adjustment of property and debt at fair value is a net expense of DKK 1,114k. 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 2,418k.

The Entity's equity is DKK 22,873k at 31 December 2017.

The management has since October 2017 had discussions with the tenant about taking over daily operations of the Company's nursing home and these discussions are ongoing. The management wishes to take over the operation of the nursing home in cooperation with a local partner and the company's bank supports this strategy. The management has agreed the key terms for cooperation with a local partner about the operation and is now working to reach a conclusion with the tenant.

### 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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Revenue		1.261.629	1.337
Fair value adjustments of investment property		79.411	(2.729)
Fair value adjustments of debt		1.034.556	2.472
Other external expenses		<u>(43.044)</u>	<u>(122)</u>
<b>Operating profit/loss</b>		<b>2.332.552</b>	<b>958</b>
Income from investments in group enterprises		1.564.016	(826)
Other financial income from group enterprises		52.892	0
Other financial income	1	929.435	1.142
Financial expenses from group enterprises		(8.502)	(8)
Other financial expenses	2	<u>(2.452.592)</u>	<u>(2.370)</u>
<b>Profit/loss for the year</b>		<b>2.417.801</b>	<b>(1.104)</b>
<b>Proposed distribution of profit/loss</b>			
Transferred to reserve for net revaluation according to the equity method		1.571.514	(1.373)
Retained earnings		<u>846.287</u>	<u>269</u>
		<b>2.417.801</b>	<b>(1.104)</b>



## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Investment property		19.636.771	19.557
<b>Property, plant and equipment</b>	3	<b>19.636.771</b>	<b>19.557</b>
Investments in group enterprises		17.816.642	16.253
Receivables from group enterprises		15.179.680	15.702
<b>Fixed asset investments</b>	4	<b>32.996.322</b>	<b>31.955</b>
<b>Fixed assets</b>		<b>52.633.093</b>	<b>51.512</b>
Receivables from group enterprises		58.205	0
Other receivables		38.758	5
<b>Receivables</b>		<b>96.963</b>	<b>5</b>
<b>Cash</b>		<b>3.055.792</b>	<b>2.597</b>
<b>Current assets</b>		<b>3.152.755</b>	<b>2.602</b>
<b>Assets</b>		<b>55.785.848</b>	<b>54.114</b>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Contributed capital	5	100.000	100
Reserve for net revaluation according to the equity method		17.816.640	16.245
Retained earnings		4.956.095	4.449
<b>Equity</b>		<b><u>22.872.735</u></b>	<b><u>20.794</u></b>
Mortgage debts		29.730.022	30.764
Payables to group enterprises		2.780.916	1.925
<b>Non-current liabilities other than provisions</b>	<b>6</b>	<b><u>32.510.938</u></b>	<b><u>32.689</u></b>
Payables to group enterprises		0	213
Payables to associates		178.538	170
Other payables	7	123.462	142
Deferred income		100.175	106
<b>Current liabilities other than provisions</b>		<b><u>402.175</u></b>	<b><u>631</u></b>
<b>Liabilities other than provisions</b>		<b><u>32.913.113</u></b>	<b><u>33.320</u></b>
<b>Equity and liabilities</b>		<b><u>55.785.848</u></b>	<b><u>54.114</u></b>
Mortgages and securities	8		

## Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	100.000	16.245.126	4.448.931	20.794.057
Ordinary dividend paid	0	0	(339.123)	(339.123)
Profit/loss for the year	0	1.571.514	846.287	2.417.801
<b>Equity end of year</b>	<b>100.000</b>	<b>17.816.640</b>	<b>4.956.095</b>	<b>22.872.735</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Other financial income</b>		
Financial income arising from group enterprises	929.435	1.142
	<b>929.435</b>	<b>1.142</b>
	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Other financial expenses</b>		
Interest expenses	1.813.632	1.983
Exchange rate adjustments	638.960	387
	<b>2.452.592</b>	<b>2.370</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	(16.495.727)
Revaluations for the year	<u>79.411</u>
<b>Revaluations end of year</b>	<b><u>(16.416.316)</u></b>
<b>Carrying amount end of year</b>	<b><u>19.636.771</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 19,637k at 31.12.2017 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	<u>1</u>	<u>15.702.119</u>
<b>Cost end of year</b>	<b><u>1</u></b>	<b><u>15.702.119</u></b>
Revaluations beginning of year	16.252.625	0
Share of profit/loss for the year	<u>1.564.016</u>	<u>0</u>
<b>Revaluations end of year</b>	<b><u>17.816.641</u></b>	<b><u>0</u></b>
Exchange rate adjustments	<u>0</u>	<u>(522.439)</u>
<b>Impairment losses end of year</b>	<b><u>0</u></b>	<b><u>(522.439)</u></b>
<b>Carrying amount end of year</b>	<b><u>17.816.642</u></b>	<b><u>15.179.680</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>2017 DKK</b>	<b>2016 DKK</b>	<b>2015 DKK</b>	<b>2014 DKK</b>	<b>2013 DKK</b>
<b>Changes in contributed Capital</b>					
Contributed capital beginning of year	100.00	883.756	687.603	500.000	660
Increase of capital	0	0	196.153	187.603	499.340
Decrease of capital	0	-783.757	0	0	0
<b>Contributed capital end of year</b>	<b>100.000</b>	<b>100.000</b>	<b>883.756</b>	<b>687.603</b>	<b>500.000</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	29.730.022
Payables to group enterprises	2.780.916
	<b>32.510.938</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>2017 DKK</u>	<u>2016 DKK'000</u>
<b>7. Other payables</b>		
Accrued interests	94.712	98
Other costs payable	28.750	44
	<b>123.462</b>	<b>142</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 19,637k. Furthermore, the Entity's cash assets have been pledged in favor of the bank. The pledged accounts comprise DKK 3,055k.

## 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.



## Accounting policies

### **Income from investments in group enterprises**

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 from group enterprises**

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

### **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.

## Accounting policies

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

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.