

# Sparinvest Property Fund K/S

CVR-no. 29 31 60 58

Strandvejen 102 E, 4<sup>th</sup> floor  
2900 Hellerup

## Annual report

1 October 2016 - 30 September 2017

12<sup>th</sup> financial year

Approved at the annual general meeting on 31 January 2018



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Chairman

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# 1 Statement by the general partner and independent auditor's report

## 1.1 Statement by the general partner

The general partner has today considered and approved the annual report of Sparinvest Property Fund K/S (Fund) for the period 1 October 2016 - 30 September 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report is approved at the annual general meeting.

Hellerup, 1 December 2017

Komplementarselskab BMK 1 ApS:



Bo W. Jensen  
Managing Partner



Kresten D. Juelner  
Senior Partner

## **Independent auditor's report**

**To the limited partners of Sparinvest Property Fund K/S**

### **Opinion**

We have audited the consolidated financial statements and the Parent Company financial statements of Sparinvest Property Fund K/S for the financial year 1 October 2016 - 30 September 2017, which comprise an income statement, balance sheet and notes, including accounting policies, for the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the Parent Company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management's responsibilities for the consolidated financial statements and the Parent Company financial statements**

Management is responsible for the preparation of consolidated financial statements and Parent Company 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 consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the Parent Company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and the Parent Company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and Parent Company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the Parent Company financial statements, including the note disclosures, and whether the consolidated financial statements and the Parent Company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Statement on the Management's review**

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the Parent Company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the Parent Company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the Parent Company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the Parent Company 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's review.

Copenhagen, 1 December 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Ole Karstensen  
State Authorised  
Public Accountant  
mne16615

  
Kaare Kristensen Lendorf  
State Authorised  
Public Accountant  
mne33819

## 2 Management's review

### 2.1 Company details

Sparinvest Property Fund K/S  
Strandvejen 102E, 4th floor  
DK-2900 Hellerup  
Telephone: + 45 36 34 75 00

Registration no.: 29 31 60 58  
Established: 27 January 2006  
Registered office: Hellerup  
Financial year: 1 October - 30 September  
Bank: Nykredit Bank

#### Investor Board

Erik Veedfald	
Jørn Styczen	Jan Henrik Willard
Allan Nielsen	Daniel Voss
Christiane Eckert	Peter Olsson
Jens Sørensen	Per Skovsted
Thomas Overvad	Søren Friedrichsen

#### Management

Komplementarselskab BMK 1 ApS, Strandvejen 102E, 4th floor, 2900 Hellerup  
v/Managing Partner Bo W. Jensen  
Senior Partner Kresten D. Juelner  
Senior Partner Mads Rude

#### Auditors

Ernst & Young P/S  
Godkendt Revisionspartnerselskab  
Osvold Helmuths Vej 4  
DK-2000 Frederiksberg

#### Annual general meeting

The annual general meeting is to be held on 31 January 2018.



## 2.2 Business concept and objectives

### 2.2.1 Business concept

Sparinvest Property Fund K/S' business concept is investment in and management of indirect investments in foreign property via international partners.

At 30 September 2017, Sparinvest Property Fund K/S had given commitments to 5 property investments and the following diversification had been obtained on the three geographic regions, measured as commitments including the effect of gearing:

Region	Current investment volume based on actual gross asset value in the investments
Europe	0.0%
Americas	69.7%
Asia	30.3%

Similarly, the following diversification on property sectors has been obtained:

Region	Current investment volume based on actual gross asset value in the investments
Retail	0.0%
Office	0.0%
Logistics	0.0%
Residential	0.0%
Diversified	100.0%

### 2.2.2 Long-term objectives

The Fund's objectives are to generate an attractive total rate of return of 8-10% per annum, including approximately 4-6% in dividends from operating cash flow.

## 2.3 The year at a glance

The Fund is realizing its investments and all remaining assets are expected to be sold during 2018.

Over the financial year of the Fund, Sparinvest Propert Fund K/S generated a total return of DKK 27,928 thousand, equal to 4.5%, which are in line with the expectations.

As a result of implementing changes in the Danish Financial Statements Act act no. 738 of 1 June 2015, which became effective on 1 January 2016, with the effect that positive fair value adjustments on investments in foreign property recognised as associates from 2016 is not recognised at the income statement but is recognised directly at the equity.

The above mentioned change has not effected the financial statement or balance sheet in the financial year 2016/17 or the financial year 2015/16 compared to the previous accounting policies.

The investments continue to be recognised at fair value, and the change in the accounting policies has not any effect on the balance sheet or the equity.

### 2.3.1 *Operating activities*

In the financial year 2016/17, the Group generated a positive operating profit of DKK 31,190 thousand. Profit after foreign exchange adjustments, financial income and financial expenses amounted to DKK 27,928 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to DKK 4,636 thousand.

Financial income for the year totalled DKK 148,045 thousand, whereas financial expenses, including foreign exchange losses, amounted to DKK 151,307 thousand.

### 2.3.2 *Financing*

In the financial year, the investors in the Group have not made any capital injections (cash calls). The Investors have received exit distributions of DKK 797 million.

The limited partner's committed capital totalled DKK 3,571 million. Undrawn capital amounted to DKK 387 million. There is not assessed to be any risk in connection with payment of the undrawn commitment.

### 2.3.3 ***Investments***

At the end of the financial year, the Group has invested in 5 different funds. 2 funds has during the financial year been winded down.

At the end of the financial year, total commitments to investments amounted to DKK 255.4 million, equivalent to 7.2% of total commitments to the Fund. Of the total commitments, net investments made (cash calls) totalled DKK 255.4 million or approx. 7.2% of the total commitments to the Fund.

### 2.3.4 ***Parent Company***

In the financial year 2016/17, the Parent Company generated a positive operating profit of DKK -27,021 thousand. Profit after foreign exchange adjustments, financial income and financial expenses was DKK 27,928 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to DKK 1,622 thousand.

Financial income for the year totalled DKK 9,067 thousand, whereas financial expenses, including foreign exchange losses, amounted to DKK 18,781 thousand.

### 2.3.5 ***Uncertainties relating to recognition and measurement in investment in property investments***

In the Parent Company, investments in property investments and investments in subsidiaries are measured at fair value. The measurement includes accounting estimates and is, therefore, subject to uncertainty.

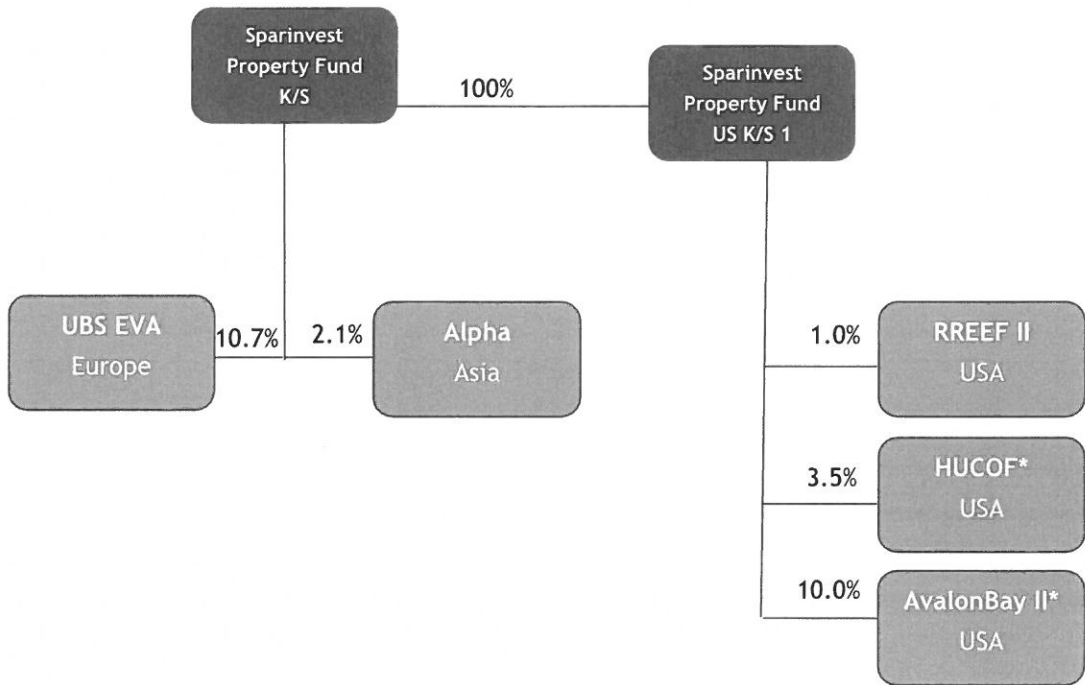
### 2.3.6 ***Events after the balance sheet date***

The management company of Sparinvest Property Fund, Sparinvest Property Investors A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund and Sparinvest Property Investors A/S.

### 2.3.7 ***Outlook***

Going forward, we expect satisfying performance as the partners in the Fund will implement their business plans. Our expectations for the coming financial year is a total rate of return of 6-8% before exchange rate fluctuations. The Fund is running off and we expect to return remaining capital to the investors in FY 2017/18.

Investments



*Note: The above percentages refer to Sparinvest Property Fund K/S' ownership shares in each of the investments. The country/region specification refers to the location of the assets.*

*\*The project is sold, and the fund is planned to be wound-up. The Fund has during this process no deciding or significant influence.*

## 2.5 Group financial highlights

DKK 1,000	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Net operating income from properties	122,152	146,399	161,278	132,552	128,438
Fair value adjustment of property investments	-86,326	-39,738	88,603	23,705	-2,261
Impairment adjustments for associates	0	0	0	0	0
Operating profit	31,190	96,353	238,039	142,742	112,329
Profit/loss from financial income and expenses	-3,262	9,836	224,148	90,754	-86,661
<b>Profit for the year</b>	<b>27,928</b>	<b>106,189</b>	<b>462,188</b>	<b>233,495</b>	<b>25,668</b>
<b>Investments</b>	<b>321,411</b>	<b>910,159</b>	<b>1,754,795</b>	<b>2,063,854</b>	<b>2,276,325</b>
<b>Current assets</b>	<b>77,649</b>	<b>359,857</b>	<b>38,001</b>	<b>82,956</b>	<b>14,846</b>
<b>Total assets</b>	<b>399,060</b>	<b>1,270,018</b>	<b>1,792,796</b>	<b>2,146,810</b>	<b>2,291,171</b>
Cash calls from limited partners	3,183,539	3,183,539	3,183,539	3,183,539	3,183,539
Equity called during the period	0	0	0	0	0
<b>Total equity</b>	<b>397,515</b>	<b>1,268,047</b>	<b>1,791,369</b>	<b>2,146,019</b>	<b>2,290,478</b>
<b>Non-current liabilities</b>	<b>252</b>	<b>252</b>	<b>252</b>	<b>252</b>	<b>252</b>
<b>Current liabilities</b>	<b>1,293</b>	<b>1,720</b>	<b>1,175</b>	<b>539</b>	<b>441</b>
Cash flows from operating activities	77,252	-106,907	-21,967	-18,319	-10,178
Net cash flows from investing activities, net	622,467	962,076	781,848	458,561	196,121
Cash flows from financing activities	-898,460	-629,511	-816,838	-377,954	-200,757
<b>Total cash flows</b>	<b>-198,741</b>	<b>225,657</b>	<b>-56,956</b>	<b>62,289</b>	<b>-14,813</b>
Weighted rate of return in %	4.5	7.2	24.3	11.5	1.4
<i>(Profit for the year/weighted investment in property investments)</i>					

**Special risks****Operating risks**

The Fund's most significant operating risks are related to the development of the property market and general economic risks. During the investment period, the Fund mitigated the risks by diversified investments in the European, American and Asian markets.

**Financial risks**

Apart from liabilities relating to operating activities and trading activities, the Fund has no debt and investments are not leveraged. For each of the foreign property investments, no investments have been made in investments with leverage - the proportion between liabilities and assets - exceeding 75%. The leverage total for all property investments may not exceed 60%. The current leverage in the investments made in foreign property investments is 42.5%. Accordingly, the financial risk is assessed as moderate.

**Foreign exchange risks**

The Fund makes investments in foreign property investments in foreign currency. No hedging of foreign currency risks on long-term investments is made. At their own discretion, the Fund's investors may decide to hedge the underlying risk on an investment.

**Knowledge resources**

The Fund makes investments based on an overall assessment of potential property investments using a systematised selection method involving external consultants, when necessary. When selecting investments, the personal knowledge and competencies of the partners are decisive. Consequently, the Fund has ensured strong alignment of the partners through financial incentives.

**Environmental matters**

The Fund's operations have no direct environmental impact, but the Fund intends to contribute to a minimal environmental impact through its investment policy.

**Research and development activities**

During the financial year, the Fund had no research and development activities and none are expected in the coming financial year.

## 3 Accounting policies

The annual report of Sparinvest Property Fund K/S has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

### **Changes in accounting policies**

In order to achieve a true and fair view of operations of the Fund, the presentation of the income statement has been changed compared to the reporting form shown in schedule 2 to the Danish Financial Act. Fair value adjustment of investment in property investments and liabilities and net operating income from properties is presented as an item under operating profit.

Effective 1 January 2016, the Fund has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

### ***Investment in associates***

Investments in associates are measured at fair value, see section 41 of the Danish Financial Statements Act, and value adjustments are taken directly to equity. Value adjustments are made on a continuous basis, and revaluations and reversals relative to cost are now recognised in a special reserve under equity called "Revaluation reserve". Previously, these revaluations were recognised in the income statement. Write-downs are, as previously, recognised in the income statement.

The change has not had any financial effect on the balance sheet or on equity for the two years in question.

Apart from the above-mentioned change, the accounting policies are consistent with those of last year.

The consolidated cash flow statement is only comprised of the Group in accordance with section 86(4) of the Danish Financial Statements Act.

### **Basis of preparation**

The annual report has been presented in DKK, rounded to the nearest thousand.

### **Recognition and measurement**

All income in relation to the financial year is recognised in the income statement as earned. Negative value adjustments in respect of investments in foreign property investments are also recognised in the income statement.

Equally, costs incurred to generate the year's earnings are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Fund and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits from the Fund is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below. In recognising and measuring assets and liabilities, expected losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

#### **Foreign currency translation**

DKK is used as the functional currency. Transactions denominated in other currencies than DKK are considered transactions denominated in foreign currencies.

On initial recognition, investments in property investments are translated to DKK at the exchange rates at the transaction date. Subsequent fair value adjustments of investments in property investments are recognised in the income statement at the same historical exchange rate to the effect that exchange rate adjustments do not affect the operating profit. Differences arising between the exchange rate at the balance sheet date and the historical exchange rate are recognised in the income statement as financial items. Financial items are specified in the note regarding financial income and expenses on investments in foreign property investments and other items.

Receivables, payables and other monetary items denominated in foreign currencies are translated to DKK at the exchange rate or forward price at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate in the latest annual report is recognised in the income statement as financial income or expenses.

Investments in foreign property investments are translated at the exchange rate at the balance sheet date.

#### **Consolidated financial statements**

The consolidated financial statements comprise the Parent Company Sparinvest Property Fund K/S and subsidiaries in which the Parent Company directly or indirectly holds the majority of the voting rights or which it, through shareholding or in some other way, controls.



On consolidation, similar items are aggregated. Intra-group income and expenses, shareholdings, dividends, balances and realised and unrealised gains on intra-group transactions are eliminated.

The Parent Company's investments in consolidated subsidiaries are set off against the Parent Company's share of the subsidiaries' equity value at the date when the subsidiary was acquired.

### 3.1

#### **Income statement**

##### **Net operating income from properties**

In the income statement, net operating income received from properties translated at the weighted historical exchange rates at the transaction date is recognised as income.

##### **Fair value adjustment of investments in property investments and liabilities**

In the income statement, fair value adjustment of properties and liabilities translated at the weighted historical exchange rates at the transaction date for cash calls are recognised as income.

Value adjustments due to changes in exchange rates are recognised as financial income or expenses.

##### **Profit/loss from investments in subsidiaries**

The proportionate share of the results of subsidiaries is recognised in the income statement.

##### **Administrative expenses**

Administrative expenses comprise expenses for management fee to Sparinvest Property Investors A/S, remuneration to the general partner, success fee and audit fee.

The Fund has entered into a management agreement regarding the Fund's activities. A fixed management fee is paid.

With effect from the third financial year and onwards the management fee will be determined based on the Company's positive return exceeding 8%. This fee is called a success fee and is determined as 10% of any return exceeding 8%. The success fee is determined each year for half of the calculated amount, whereas the remaining half is dependent on the Company's positive return over the expected life for the Company.

The half of the success fee, which is determined each year, is recognised as an expense with effect for the relevant year. The remaining half is recognised as an expense when payment is probable for the relevant year. The assessment of

probability takes into account the natural risks inherent in the long investment period.

### **Financial income and expenses**

Financial income and expenses comprise foreign exchange adjustments of investments in foreign property investments, other realised and unrealised foreign exchange adjustments and interest.

### **Tax on profit/loss for the year**

Sparinvest Property Fund K/S is not a separate entity subject to taxation. The tax liability in respect of the Fund's earnings is incumbent on the individual investors of the Fund. For this reason, no tax is calculated on the Fund's earnings, and withholding of foreign tax on dividends from property investments is charged directly to the Fund's investors.

3.2

## **Balance sheet**

### **Investments in subsidiaries**

Investments in subsidiaries are recognised and measured according to the equity method.

The proportionate ownership share of the subsidiaries' equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in subsidiaries".

The total net revaluation of investments in subsidiaries is transferred via distribution of profit to "Reserve for net revaluation according to the equity method" under equity. The reserve is reduced by distribution of dividends to the Parent Company and is adjusted by other changes in equity in subsidiaries.

### **Investments in associates**

On initial recognition, investments in associates are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 2).

The proportionate ownership share of the associates equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in associates".

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

### **Investments in foreign property investments**

On initial recognition, investments in property investments are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 2).

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Receivables from limited partners regarding cash calls receivable, etc., are recognised at nominal value.

### **Equity**

Investments by limited partners are recognised when cash calls are made. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

The reserve for net revaluation according to the equity method is determined as the total net revaluation of investments in subsidiaries less distribution of dividends to the Parent Company and adjusted by other changes in equity in subsidiaries.

Fair value adjustments of investments in associates are made on a continuous basis, and revaluations and reversals relative to cost are recognised in a special reserve under equity called "Revaluation reserve".

Dividends for the year are disclosed as a separate item under proposed distribution of profit for the year. Exit distributions from subfunds are deducted from retained earning.

### **Liabilities**

Liabilities (current and non-current) are included when the Fund, as a consequence of an event occurring no later than on the balance sheet date, has a legal or constructive obligation and an outflow of economic benefits from the Fund

to settle the obligation is probable. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

#### **Cash flow statement**

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning of the year and the statement shows the cash position at the end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated as profit/loss for the year adjusted for changes in working capital and non-cash operating items such as value adjustments. The working capital comprises fixed assets minus current liabilities - excluding items included in cash and cash equivalents.

#### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from and to investments in property investments.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from and to the investors.

### 3.3

#### **Accounting estimates and judgements**

The determination of the carrying amount of property investments and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on fair value calculations from property investments, historical experiences and other factors assessed by Management to be reliable in the circumstances, but which by nature are associated with uncertainty and unpredictability.

The assumptions made may prove incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Fund is subject to risks and uncertainties, which may lead to actual results differing from the estimates. Particular risks for Sparinvest Properties Fund K/S are mentioned in the Management's review.

It may be necessary to change previously made estimates as a consequence of changes in the circumstances on which the previous estimates were based or due to new knowledge or subsequent events.

Estimates essential to the financial reporting may for example comprise determination of the value of the underlying investments in foreign property

investments. Because of the measurement principles used, the calculation of fair value will be subject to uncertainty.

## 4 Consolidated financial statement and Parent Company financial statement for 1 October 2016 - 30 September 2017

### 4.1 Income statement

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
1	Net operating income from properties	122,152	146,399	1,971	48,956
2	Fair value adjustment of foreign investment properties	-86,326	-39,738	-27,370	-14,922
3	Administrative expenses	4,636	10,307	1,622	4,640
	<b>Operating profit</b>	<b>31,190</b>	<b>96,354</b>	<b>-27,021</b>	<b>29,394</b>
	Profit from group entities	0	0	64,663	77,363
4	Financial income	148,045	191,809	9,067	25,578
5	Financial expenses	151,307	181,973	18,781	26,147
	<b>Profit for the year</b>	<b>27,928</b>	<b>106,189</b>	<b>27,928</b>	<b>106,189</b>

#### Proposed distribution of the profit for the year

Dividend to limited partners	101,886	144,193	101,886	144,193
Charged the limited partners	0	0	0	0
Retained earnings	-73,958	-38,004	-73,958	-38,004
Reserve for net revaluation, equity method	0	0	0	0
<b>Total distribution</b>	<b>27,928</b>	<b>106,189</b>	<b>27,928</b>	<b>106,189</b>

## 4.2

## Balance sheet

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>Assets</b>					
<b>Non-fixed assets</b>					
<b>Investments</b>					
6	Investments in subsidiaries	0	0	1,462,636	1,397,973
7	Investments in associates	0	0	0	0
8	Investments in foreign property investments	321,411	910,159	92,591	159,080
9	Loan to foreign property investments	0	0	0	0
<b>Total investments</b>		<b>321,411</b>	<b>910,159</b>	<b>1,555,227</b>	<b>1,557,053</b>
<b>Total non-fixed assets</b>		<b>321,411</b>	<b>910,159</b>	<b>1,555,227</b>	<b>1,557,053</b>
<b>Fixed assets</b>					
	Other receivables	43,260	126,727	0	451
	Cash at bank and in hand	34,389	233,130	2,688	26,700
<b>Total fixed assets</b>		<b>77,649</b>	<b>359,857</b>	<b>2,688</b>	<b>27,151</b>
<b>Total assets</b>		<b>399,060</b>	<b>1,270,018</b>	<b>1,557,915</b>	<b>1,584,204</b>



Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	<b>Equity and liabilities</b>				
10	<b>Equity</b>				
	Investments by limited partners	3,183,539	3,183,539	3,183,539	3,183,539
	Reserve for net revaluation, equity method	0	0	0	0
	Retained earnings	-2,786,024	-1,915,492	-2,786,024	-1,915,492
	<b>Total equity</b>	<b>397,515</b>	<b>1,268,047</b>	<b>397,515</b>	<b>1,268,047</b>
	<b>Liabilities</b>				
	<b>Non-current liabilities</b>				
	Loan general partners (mature 1 - 5 years)	252	252	126	126
	<b>Total non-current liabilities</b>	<b>252</b>	<b>252</b>	<b>126</b>	<b>126</b>
	<b>Current liabilities</b>				
	Other payables	1,293	1,720	1,160,274	316,031
	<b>Total current liabilities</b>	<b>1,293</b>	<b>1,720</b>	<b>1,160,274</b>	<b>316,031</b>
	<b>Total liabilities</b>	<b>1,545</b>	<b>1,972</b>	<b>1,160,400</b>	<b>316,157</b>
	<b>Total equity and liabilities</b>	<b>399,060</b>	<b>1,270,018</b>	<b>1,557,915</b>	<b>1,584,204</b>

- 11 Contingent assets, liabilities and security
- 12 Related parties
- 13 Currency and interest rate risks and use of derivative financial instruments
- 14 Events after the balance sheet date
- 15 Exemption from filing requirements

### 4.3 Cash flow statement

#### Group

DKK 1,000	30 Sept. 2017	30 Sept. 2016
Profit	27,928	106,189
<b>Adjustment for non-cash operating items</b>		
Value adjustment of property investments and loans	-139,548	-228,588
Impairment adjustments for associates	0	0
Unrealised exchange adjustments of property investments and loans	105,830	111,147
<b>Cash flow from operating activities before changes in working capital</b>	<b>-5,790</b>	<b>-11,252</b>
<b>Changes in working capital</b>		
Changes in receivables	83,467	-96,200
Changes in current liabilities	-427	545
<b>Cash flow from operating activities</b>	<b>77,252</b>	<b>-106,907</b>
Acquisition of investments in associates	0	0
Acquisition of investments in property investments	0	0
Loan for foreign property investments	0	93,945
Disposal of investments in property investments	531,875	593,684
Distribution from property investments and loans	90,592	274,447
<b>Cash flow from investing activities</b>	<b>622,467</b>	<b>962,076</b>
<b>External financing</b>		
Investments by limited partners	0	0
Exits to limited partners	-796,574	-485,318
Dividend to limited partners	-101,886	-144,193
<b>Cash flow from financing activities</b>	<b>-898,460</b>	<b>-629,511</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>-198,741</b>	<b>225,657</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>233,130</b>	<b>7,473</b>
Net cash flows from operating, investing and financing activities	-198,741	225,657
<b>Cash and cash equivalents at 30 September</b>	<b>34,389</b>	<b>233,130</b>

## 5 Notes

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>1</b>	<b>Net operating income from properties</b>				
	The Mall Unit Trust	0	0	0	0
	UBS (Lux) Euro Value Added Real Estate Fund	1,072	1,308	1,072	1,308
	RREEF II America REIT II Inc.	24,314	38,420	0	0
	daVinci Japan Real Estate Partners IV	0	0	0	0
	Principal Enhanced Property Fund	2,734	20,089	0	0
	IRUS European Retail Property Fund	0	0	0	0
	Goodmann European Logistics Fund	0	11,532	0	11,532
	CBRE Asia Retail Fund Limited	0	0	0	0
	Alpha Asia Macro Trends Fund Private Limited	0	6,911	0	6,911
	Hines U.S. Core Office Fund	26,631	6,896	0	0
	Phillips Edison Shopping Center Fund IV	0	585	0	0
	AvalonBay Value Added Fund II, LP	66,502	31,452	0	0
	German Shopping Centre Fund	0	0	0	0
	Legal & General UK Property Income Fund	899	29,205	899	29,205
	<b>Total net operating income from properties</b>	<b>122,152</b>	<b>146,399</b>	<b>1,971</b>	<b>48,956</b>
<b>2</b>	<b>Fair value adjustment of investments in foreign property investments</b>				
	The Mall Unit Trust	0	0	0	0
	UBS (Lux) Euro Value Added Real Estate Fund	-3,784	-1,125	-3,784	-1,125
	RREEF II America REIT II Inc.	-7,478	3,332	0	0
	daVinci Japan Real Estate Partners IV	0	-3	0	0
	Principal Enhanced Property Fund	7,128	27,990	0	0
	IRUS European Retail Property Fund	0	0	0	0
	Goodmann European Logistics Fund	0	9,947	0	9,947
	CBRE Asia Retail Fund Limited	0	0	0	0
	Alpha Asia Macro Trends Fund Private Limited	-22,722	-3,388	-22,722	-3,388
	Hines U.S. Core Office Fund	-7,433	-24,754	0	0
	Phillips Edison Shopping Center Fund IV	0	0	0	0
	AvalonBay Value Added Fund II, LP	-51,172	-31,381	0	0
	Legal & General UK Property Income Fund	-864	-20,356	-864	-20,356
	<b>Fair value adjustment of investments in foreign property investments</b>	<b>-86,326</b>	<b>-39,738</b>	<b>-27,370</b>	<b>-14,922</b>

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
3	Management fee Sparinvest Property Investors A/S	3,476	8,270	567	3,264
	Administrative expenses	146	1,077	41	416
	Success fee	1,014	961	1,014	961
	<b>Total administrative expenses</b>	<b>4,636</b>	<b>10,307</b>	<b>1,622</b>	<b>4,640</b>
	<b>Fees for auditors appointed by the annual general meeting</b>				
	<b>Total fee for EY (incl. VAT)</b>	<b>125</b>	<b>264</b>	<b>49</b>	<b>168</b>
	<b>Specified as follows:</b>				
	Audit	102	116	26	46
	Other assistance	23	148	23	122
	<b>Total</b>	<b>125</b>	<b>264</b>	<b>49</b>	<b>168</b>

All administrative expenses are allocated between the Parent Company and the subsidiary according to commitments in the property fund.

Management remuneration is settled through the fee to the General Partner amounting to DKK 150 thousand.

4	<b>Financial income</b>				
	Unrealised foreign exchange gains, property investments and loans	42,842	69,272	5,407	7,711
	Realised foreign exchange gains, property investments	105,053	122,490	3,512	17,820
	Other foreign exchange gains	150	47	148	47
	<b>Total financial income</b>	<b>148,045</b>	<b>191,809</b>	<b>9,067</b>	<b>25,578</b>

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
5	<b>Financial expenses</b>				
	Interest losses	132	138	128	103
	Financial expenses general partner	101	101	51	51
	Unrealised foreign exchange losses, property investments	148,672	180,419	18,439	24,952
	Realised foreign exchange losses, property investments	1,331	563	0	513
	Other foreign exchange losses	1,071	751	163	528
	<b>Total financial expenses</b>	<b>151,307</b>	<b>181,973</b>	<b>18,781</b>	<b>26,147</b>

6	<b>Investments in subsidiaries</b>				
	Acquisition cost at the beginning of the financial year	0	0	1,577,334	1,577,334
	Additions during the year	0	0	0	0
	Disposals during the year	0	0	0	0
	<b>Acquisition cost at year end</b>	<b>0</b>	<b>0</b>	<b>1,577,334</b>	<b>1,577,334</b>
	Value adjustments at the beginning of the financial year	0	0	-179,358	-256,720
	Profit for the year	0	0	64,663	77,363
	Distributed from the profit for the year	0	0	0	0
	<b>Value adjustments at year end</b>	<b>0</b>	<b>0</b>	<b>-114,695</b>	<b>-179,358</b>
	<b>Carrying amount at 30 September</b>	<b>0</b>	<b>0</b>	<b>1,462,636</b>	<b>1,397,973</b>

Investments in subsidiaries regard the 100% ownership in Sparinvest Property US K/S 1. Sparinvest Property US K/S 1 has place of residence in Hellerup.

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
Sparinvest Property Fund US K/S 1	America	1,462,636	100.00%	1,397,973	100.00%
<b>Total</b>		<b>1,462,636</b>		<b>1,397,973</b>	

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
7	<b>Investments in associates</b>				
	Acquisition cost at the beginning of the financial year	150,450	150,450	150,450	150,450
	Additions during the year	0	0	0	0
	Disposals during the year	150,450	0	150,450	0
	<b>Acquisition cost at year end</b>	<b>0</b>	<b>150,450</b>	<b>0</b>	<b>150,450</b>
	Value adjustments at the beginning of the financial year	-150,450	-150,450	-150,450	-150,450
	Value adjustments	0	0	0	0
	Distributed	150,450	0	150,450	0
	<b>Value adjustments at year end</b>	<b>0</b>	<b>-150,450</b>	<b>0</b>	<b>-150,450</b>
	<b>Carrying amount at 30 September</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>Value adjustments recognised over the income statement are specified as follows:</i>				
	Net operating income from properties	0	0	0	0
	Impairment adjustments for associates	0	0	0	0
	Realised foreign exchange adjustment property investments	0	0	0	0
		0	0	0	0
	<i>Value adjustments recognised in the equity are specified as follows:</i>				
	Fair value adjustments of property investments	0	0	0	0
	Unrealised foreign exchange income, property investments	0	0	0	0
	Unrealised foreign exchange losses, property investments	0	0	0	0
		0	0	0	0
	<b>Total value adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>8</b>	<b>Investments in foreign property investments</b>				
	Acquisition cost at the beginning of the financial year	1,173,588	1,767,272	322,723	592,439
	Additions during the year	0	0	0	0
	Disposals during the year	531,875	593,684	26,088	269,716
	<b>Acquisition cost at year end</b>	<b>641,713</b>	<b>1,173,588</b>	<b>296,636</b>	<b>322,723</b>
	Value adjustments at the beginning of the financial year	-263,428	-127,247	-163,644	-125,360
	Value adjustments	33,719	138,266	-34,919	34,101
	Distribution from property funds	90,592	274,447	5,483	72,385
	<b>Value adjustments at year end</b>	<b>-320,301</b>	<b>-263,428</b>	<b>-204,046</b>	<b>-163,644</b>
	<b>Carrying amount at 30 September</b>	<b>321,411</b>	<b>910,159</b>	<b>92,591</b>	<b>159,080</b>
	<i>Value adjustments are specified as follows:</i>				
	Fair value adjustments of property investments	-86,326	-39,738	-27,370	-14,922
	Net operating income from properties	122,152	146,399	1,971	48,956
	Realised foreign exchange adjustment property investments	103,722	121,927	3,512	17,307
	Realised value adjustments, property investments	0	0	0	0
	Unrealised foreign exchange income, property investments	0	69,272	0	7,711
	Unrealised foreign exchange losses, property investments	105,830	159,594	13,032	24,952
	<b>Total value adjustments</b>	<b>33,719</b>	<b>138,266</b>	<b>-34,919</b>	<b>34,101</b>

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
UBS (LUX) Euro Value Added Real Estate	Europe	10,717	10.7%	30,699	10.7%
Alpha Asia Macro Trends Fund Private Ltd	Asia	81,874	2,1%	127,515	2,1%
<b>Total Parent Company</b>		<b>92,591</b>		<b>159,080</b>	
RREEF America REIT II, Inc.	USA	225,721	1.0%	361,357	1.0%
Hines U.S. Core Office Fund	USA	63	3.5%	74,138	3.5%
AvalonBay Value Added Fund II, LP	USA	3,037	10.0%	74,599	10.0%
<b>Total Group</b>		<b>321,411</b>		<b>910,159</b>	

On initial recognition, property investments are measured at cost translated at the exchange rates at the transaction date. Subsequently property investments are measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each Fund based on the fair value of the net assets in the fund comprising underlying properties and related liabilities.

Sparinvest Property Fund invests in managed real estate funds, which are not quoted on an active market. The investments in these funds will generally be classified as Level 3 in the fair value hierarchy. The valuation models applied for the real estate funds assets will typically be based on (i) discounted cash flow analysis; (ii) direct capitalisation method; and/or (iii) comparable sales method. The real estate funds reflect its real estate equity investments net of investment level financing. Increases or decreases in any of the assumptions in isolation would result in a lower or higher fair value measurement.

The real estate funds generally invest in real estate and real estate related investments for which there is no liquid market. The market price for such investments may not be readily ascertainable. As a result, amounts ultimately realised by the fund from investments sold may differ from the fair value presented and the difference could be material.

The review of the valuation process is performed by the management of Sparinvest Property Investors A/S ("SPI"). SPI considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate.

SPI bases their ongoing review of the valuation process on the information reported from the real estate funds in their annual financial statements and quarterly reports. In SPI's review of the valuation process, the obtained reported information is compared to what is budgeted or expected by the management of SPI and, if the information is not in accordance with what is expected, the management engages in dialog with the real estate funds in order to clarify any irregularities. At least once every year, SPI ensures that an external valuation of all the assets in the funds is carried out.

The following table shows information about the by the real estate funds used unobservable inputs related to the fair value measurement at 30 September 2017 as per their quarterly reports:



## Foreign property investments:

At 30 September 2017						
	Type	Asset class	Valuation techniques	Unobservable inputs	Weighted average	Vacancy
Alpha Asia Macro Trends Fund Private Ltd	Investment in real estate equity	Office, residential and retail	DCF Cap.method Comp.pricesC	NOI input	42% - 79%	54.7%
RREEF America REIT II, Inc.	Investment in real estate equity	Office, industrial residential and retail	DCF	Discount rate	6.14% - 6.86%	10.0%

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
9	<b>Loan to foreign property investments</b>				
	Loan at the beginning of the financial year	0	93,945	0	0
	Loan during the year	0	0	0	0
	Payment during the period	0	93,945	0	0
	<b>Loan at year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
					-
	Value adjustments at the beginning of the financial year	0	20,825	0	0
	Value adjustments	0	-20,825	0	0
	Distribution from loans	0	0	0	0
	<b>Value adjustments at year end</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
					-
	<b>Carrying amount at 30 September</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>Value adjustments are specified as follows:</i>				
	Net operating income from loans	0	0	0	0
	Realised foreign exchange adjustment loans	0	0	0	0
	Unrealised foreign exchange income, loans	0	0	0	0
	Unrealised foreign exchange losses, loans	0	20,825	0	0
	<b>Total value adjustments</b>	<b>0</b>	<b>-20,825</b>	<b>0</b>	<b>0</b>

Note	DKK 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
10	<b>Equity</b>				
	<b>The Company's equity capital</b>				
	Equity called at the beginning of the financial year	3,183,539	3,183,539	3,183,539	3,183,539
	Equity called during the period	0	0	0	0
		<b>3,183,539</b>	<b>3,183,539</b>	<b>3,183,539</b>	<b>3,183,539</b>
	<b>Reserve for net revaluation according to the equity method</b>				
	Reserve for net revaluation according to the equity method at the beginning of the financial year	0	0	0	0
	Transferred according to distribution of the profit	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Retained earnings</b>				
	Retained earnings at the beginning of the financial year	-1,915,492	-1,392,170	-1,915,492	-1,392,170
	Distributions, exits in foreign property investments	-796,574	-485,318	-796,574	-485,318
	Fair value adjustments of property investments	0	0	0	0
	Transferred according to distribution of the profit	-73,958	-38,004	-73,958	-38,004
	<b>Total retained earnings</b>	<b>-2,786,025</b>	<b>-1,915,492</b>	<b>-2,786,025</b>	<b>-1,915,492</b>
	<b>Total equity</b>	<b>397,515</b>	<b>1,268,047</b>	<b>397,515</b>	<b>1,268,047</b>

The subscribed equity capital consists of 3,571 shares of DKK 1,000,000 each and is specified as follows:

<b>Total subscribed equity capital</b>	<b>3,571,000</b>	<b>3,571,000</b>	<b>3,571,000</b>	<b>3,571,000</b>
<b>Equity called</b>	<b>-3,183,539</b>	<b>-3,183,539</b>	<b>-3,183,539</b>	<b>-3,183,539</b>
<b>Commitments for additional investments</b>	<b>387,461</b>	<b>387,461</b>	<b>387,461</b>	<b>387,461</b>

The subscribed equity capital has not changed during the last 5 years.

**Limited partners holding more than 5% of the subscribed capital:**

Sparinvest Foreign Properties Ltd  
SEB Pensionsforsikring A/S - Property Pool  
MP Pension  
PFA Pension  
Pen-Sam Liv forsikringsaktieselskab  
Juristernes og Økonomernes Pensionskasse  
Lægernes Pensionskasse  
AP Pension

#### 11 Contingent assets, liabilities and security

None.

#### 12 Related parties

Sparinvest Property Fund K/S has the following related parties exercising control:

BMK 1 ApS, registration no. 29 24 51 50 is general partner in Sparinvest Property Fund K/S. As general partner the company has the general management responsibility for Sparinvest Property Fund K/S. However, a management agreement with a management company was entered when founding Sparinvest Property Fund K/S, see below. As general partner BMK 1 ApS receives a fixed fee of DKK 100 thousand and a return on loan capital. Transactions have been made on an arm's length basis.

On behalf of BMK 1 ApS, Sparinvest Property Investors A/S, registration no. 28 33 08 04 has entered into an agreement with Sparinvest Property Fund K/S on management of Sparinvest Property Fund K/S. As management company Sparinvest Property Investors A/S receives a fee calculated as a percentage of obtained commitments to invest in foreign property funds. Transactions have been made on an arm's length basis. No other transactions between Sparinvest Property Fund K/S and Sparinvest Property Investors A/S have taken place.

BMK 2 ApS, registration no. 29 91 87 59, is general partner in Sparinvest US K/S 1. As general partner the company has the general management responsibility for Sparinvest Property US K/S 1. As general partner BMK 2 ApS receives a return on loan capital. Transactions have been made on an arm's length basis.

BMK Holding ApS, registration no. 29 24 30 34, is Parent Company for the general partnership BMK 1 ApS and owns 30% of the share capital in Sparinvest Property Investors A/S. No transactions between the companies have taken place during the financial year.

##### Investor Board and partners

The Fund's Investor Board does not receive any fees. The partners receive fees from the administration company in accordance with the administration agreement made with the management company.

##### Other related parties

The Fund's other related parties comprise the Sparinvest Group. No transactions between the companies have taken place during the financial year.

The Fund's other related parties comprise the owners of BMK Holding ApS and SPF III GP ApS. These are BWJ Holding ApS, registration no. 28 48 79 32, MR ApS, registration no. 28 70 16 67 and KDJ ApS, registration no. 28 70 10 04, who hold equal shares of the capital in BMK Holding ApS and SomeCapital OY tho besides the 3 mentioned is co-owner of SPF III GP ApS. In addition also the Groups with Sparinvest Property Fund II K/S, CVR nr. 32 47 15 60 and Sparinvest Property Fund III K/S, CVR nr. 35 38 37 19 as mothercompanies. No transactions between the companies have taken place during the financial year.

#### 13 Currency and interest rate risks and use of derivative financial instruments

As a consequence of its operating activities, investments and financing activities the Fund is exposed to currency risks and interest rate risks. The Fund's policy is not to hedge against the exposure to financial risks. This hedging is made independently by the Fund's investors. However, active speculation in financial risks is not made. The Fund's financial management is only directed at management of those financial risks arising as a consequence of the Company's operating activities.

#### 14 Events after the balance sheet date

The management company of Sparinvest Property Fund, Sparinvest Property Investors A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund and Sparinvest Property Investors A/S.

#### 15 Exemption from filling requirements

Pursuant to section 5(1) of the Danish Financial Statements Act, no annual report for the subsidiary Sparinvest Property US K/S 1 has been prepared.