NordEstate A/S

Værkmestergade 25, 8000 Aarhus C, Denmark

CVR.-no. 29 81 74 56

Annual Report

for the year ended 31 December 2016
8th financial year

Approved at the annual general meeting of shareholders

On 27/04/2017

Henrik Steenfeldt Jacobsen, Chairman of the board of directors

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FINANCIAL STATEMENTS, PARENT COMPANY

COMPANY DETAILS

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BOARD OF DIRECTORS

Henrik Steenfeldt Jacobsen, Chairman
Kim Allan Schøtt, Vice Chairman
Carsten Møller Jensen

EXECUTIVE BOARD

Carsten Møller Jensen

AUDITORS

Ernst & Young P/S
Godkendt Revisionspartnerselskab
Værkmestergade 25, 8000 Aarhus C, Denmark

BANKERS

Nordea Bank

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE ANNUAL REPORT

Today, the board of directors and the executive board have discussed and approved the annual report of NordEstate A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's financial position at 31 December 2016 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2016.

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 by the shareholders of the company in the annual general meeting.

Aarhus, 29 March 2017

EXECUTIVE BOARD

Carsten Møller Jensen
CEO

BOARD OF DIRECTORS

Henrik Steenfeldt Jacobsen
Chairman of the board

Kim Allan Schøtt
Vice chairman of the board

Carsten Møller Jensen
Member of the board

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NORDESTATE A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of NordEstate A/S for the financial year 1 January - 31 December 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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's 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.

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 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 misstatements of the Management's review.

Management's responsibility 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 International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of 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 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.

Aarhus, 29 March 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans Peter Roug
State Authorised Public Accountant

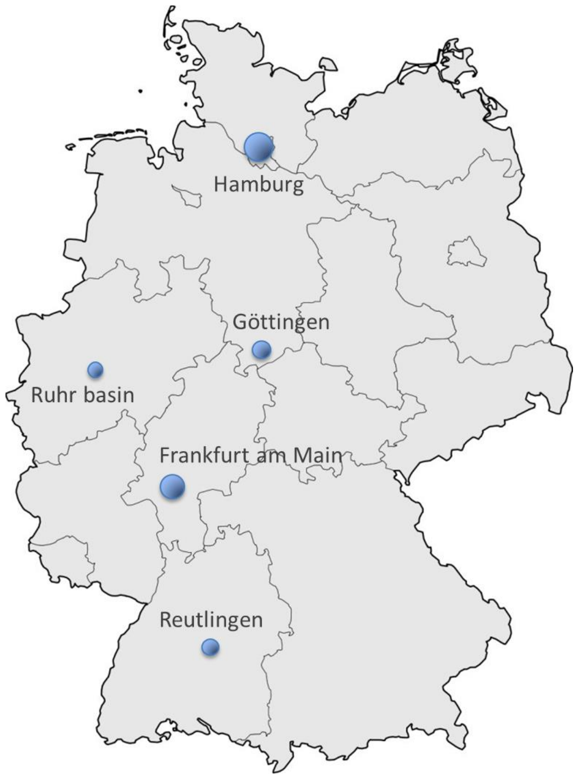
MANAGEMENT'S REVIEW

Business activities and mission

NordEstate enables its investors to draw benefits from the attractive opportunities for residential real estate investment in Germany. The group has created a solid portfolio and has secured a foundation for long-term stable earnings.

The investment focus are mainly residential properties in Germany, where the management has demonstrated their experience, skills and capability for innovation. NordEstate acquires real estate exclusively in cities and regions which are forecasted to show favourable economic development and therefore is active in local markets with substantial potential for an expanding demand for accommodation and rent growth.

NordEstate operates in all respects in accordance with sound business principles and with the objective to establish long lasting relationships with investors as well as partners. It is the overriding goal of the company to utilize competencies in order to generate a competitive return on investment while observing a conservative risk profile.



Current portfolio

As of 31 December 2016, NordEstate's portfolio comprises properties totalling kEUR 124,638 (2015: kEUR 86,140) and located in the following cities and regions:

	2016	2015
Hamburg	35 %	38 %
Frankfurt am Main	32 %	27 %
Göttingen	14 %	14 %
Reutlingen	10 %	12 %
Ruhr basin	9 %	9 %

The portfolio holds a total of 1,063 residential units, 29 commercial units and 572 other units (mainly parking and garages). There is a very strong occupancy and the tenants can be classified as German middle-class. From a risk perspective it is policy of the group not to speculate in prestigious upper class properties.

A large part of the properties has been renovated during the last ten years, and the portfolio is in a good condition. It is a continuous process to monitor the condition of the properties and to design and perform improvement projects in order to generate attractive returns.

Business review

Highlights

The most important development of the year 2016 is the sale of the group's property portfolio. In accordance with the authorisation given by the shareholders on the extraordinary general meeting on 9 September 2016, the board of directors has signed on 3 March 2017 a contract on the sale of the following properties in a portfolio deal for an attractive price of EUR 117.4 million:

- Hamburg, Schneverdinger Weg 2-6
- Hamburg, Soltauer Ring 8
- Hamburg, Kiwittsmoor 28-30
- Elmshorn, Friedensallee 28-30
- Bad Vilbel, Büdinger Straße 9-23
- Maintal, Bonhoefferstraße 25-33 and Westendstraße 22-38
- Göttingen, Erich-Schmidt-Weg 1-22
- Reutlingen, Heppstraße 95/Borsigstraße 8
- Neuss, An der Barriere 7-17 and Bergheimer Straße 498 d-i
- Wuppertal, Cronenberger Straße 347-357

The remaining property Hamburg Lohkampstraße is expected to be sold for a price of EUR 7.6 million.

The consolidated accounts 2016 reflect the sale insofar as the investment property portfolio has been revalued to the sales prices (less construction cost to completion in Maintal). Reference is made to the fact that the IFRS do not permit recognition of various costs such as costs of the sales transaction, costs of future operations or reserves for uncertain circumstances.

Rent development

In-place rent as of 31 December 2016 increased by kEUR 328 or 5.8 % to kEUR 5,966 compared to 31 December 2015 (rent roll as of the respective balance sheet date). The increase includes kEUR 188 from the new property in Elmshorn, but not the expected increase of kEUR 140 after completion of the modernisation project in Maintal (for both see below).

Vacancy of residential and commercial units was reduced from 2.4 % to 1.7 %, contributing kEUR 36 to the increase in total net cold rent. There is no structural vacancy in any of our properties and vacancy is incurred only in connection with tenant fluctuation where we decide to accept temporary vacancy in order to carry out renovation work.

Real estate portfolio

Construction work in Maintal (energetic modernisation and extension of roof floor appartments) is progressing according to plan. We want to convey a first impression of the property's appearance after modernisation with the following picture:

MAINTAL, WESTENDSTRASSE 26-28 AFTER MODERNISATION

After completion of the first new roof appartments these are currently being successively let out to new tenants.

With signing in June 2016 and closing in October 2016, a new property was acquired in the Hamburg region. The complex is situated in Elmshorn and comprises 35 appartments and 36 garages and parking spaces. The purchase price amounted to kEUR 3,180 (plus acquisition costs).

ELMSHORN, FRIEDENSALLEE 28-30

Capital structure

During the year, the share capital was increased by kEUR 555 by issuing 55,466 class B shares with a nominal amount of EUR 10.00 each. The increase in share capital led to net proceeds of kEUR 757.

The bank loan related to the Maintal property was increased by kEUR 2,053 in order to finance the modernisation project.

In connection with the Elmshorn property a further bank loan of kEUR 1,950 was taken up in order to finance the acquisition.

Risk report

The main operational risks associated with the group's business are related to:

- Rental income
- Property management
- Maintenance costs
- Negative price movements on the property investment market
- Risks of financing

Management is monitoring these risk factors and ensures that appropriate countermeasures are taken once there are indications for any of these risk factors materialising.

Outlook

Our immediate priority for 2017 is the signing and execution of contracts regarding the sale of the group's property portfolio. For the contract signed on 3 March 2017 and described above in section "Highlights" in more detail, closing is expected to take place in two steps with expiration of 30 April and 30 June 2017, respectively.

Afterwards, NordEstate A/S will be orderly wound up and liquidated within a few years.

In both instances the group will incur costs and it is expected that the group will produce losses from 2017 onwards until liquidation. For 2017, a loss in a range of approximately EUR 15 million is expected.

GROUP CHART

Company Number	Company Name	Share in %	Held by
1	NordEstate A/S		
2	NordEstate Immobilien 1 GmbH	100 %	1
3	NordEstate HH Soltauer Ring GmbH	100 %	1
4	NordEstate HH Schneverdinger Weg GmbH	100 %	1
5	NordEstate Maintal GmbH	100 %	1
6	NordEstate Bad Vilbel Büdinger Straße GmbH	100 %	1
7	NordEstate Elmshorn FA GmbH (formerly NordEstate Erwerbs GmbH, formerly NordEstate Wuppertal Cronenbergerstraße GmbH)	100 %	1
8	NordEstate Wohnen GmbH (formerly NordEstate Wohnen Frankfurt GmbH)	100 %	1
9	NordEstate AG	100 %	1
10	NordEstate Göttingen ESM B.V. (formerly GRIF Investments II B.V.)	94.9 %	9
11	NordEstate HH Kiwittsmoor B.V. (formerly GRIF Investments VII B.V.)	94.9 %	9
12	NordEstate Reutlingen HBS B.V. (formerly GRIF Investments XXII B.V.)	94.9 %	9
13	NordEstate Neuss AdB B.V. (formerly GR VAF Investments II B.V.)	94.9 %	9

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT
for the year ended 31 December

	Note	2016 EUR'000	2015 EUR'000
Revenue	3	7,913	7,554
Operating expenses	4	3,799	3,512
Fair value adjustment of investment property and net gains on the sale of investment property		33,157	1,955
Gross margin		37,271	5,997
Administrative expenses		1,691	1,476
Operating profit		35,580	4,521
Financial income		1	3
Financial expenses	6	6,063	1,812
Profit before tax		29,518	2,712
Tax for the year	7	6,902	478
PROFIT FOR THE YEAR		22,616	2,234
Appropriation of profit			
Shareholders of the parent company		22,616	2,234
Minority interests		0	0
		22,616	2,234

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December

	2016 EUR'000	2015 EUR'000
Profit for the year	22,616	2,234
Value adjustment of hedging instruments	121	97
Deferred tax on other comprehensive income	-19	-15
Comprehensive income for the year	22,718	2,316

Appropriation of comprehensive income		
Shareholders of the parent company	22,718	2,316
Minority interests	0	0
	22,718	2,316

BALANCE SHEET
at 31 December

	Note	2016 EUR'000	2015 EUR'000
ASSETS			
Long-term assets			
Property, plant and equipment			
Investment properties	8	124,638	86,140
Office equipment		41	35
Total long-term assets		124,679	86,175
Short-term assets			
Receivables			
Receivables from lessees	9	165	172
Income taxes		398	219
Other receivables		155	143
Prepayments		79	71
Total receivables		797	605
Cash		3,371	5,058
Total short-term assets		4,168	5,663
TOTAL ASSETS		128,847	91,838

	Note	2016 EUR'000	2015 EUR'000
EQUITY AND LIABILITIES			
Equity			
Share capital	10	31,767	31,212
Hedging reserve		0	-102
Retained earnings		31,629	9,838
		63,396	40,948
Minority interests		4	4
Total equity		63,400	40,952
Liabilities			
Long-term liabilities			
Payables to credit institutions	11	4,768	42,864
Financial instruments measured at fair value	13	0	121
Deferred taxes	14	8,524	1,654
Total long-term liabilities		13,292	44,639
Short-term liabilities			
Current portion of long-term liabilities		51,618	5,861
Trade payables		443	281
Income taxes		19	19
Other payables		75	86
Total short-term liabilities		52,155	6,247
TOTAL EQUITY AND LIABILITIES		128,847	91,838

STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Reserve for hedging transactions
Equity at 1 January 2015	27,250	-184
Profit for the year		
Value adjustment of hedging instruments		97
Deferred tax on other comprehensive income		-15
Comprehensive income		82
Capital increases	3,962	
Costs related to capital increases		
Acquisition of own shares		
Equity at 31 December 2015	31,212	-102
Profit for the year		
Value adjustment of hedging instruments		121
Deferred tax on other comprehensive income		-19
Comprehensive income		102
Capital increases	555	
Costs related to capital increases		
Acquisition of own shares		
Equity at 31 December 2016	31,767	0

Retained earnings	Total	Minority interest	Total equity
6,520	33,586	4	33,590
2,234	2,234		2,234
	97		97
	-15		-15
2,234	2,316		2,316
1,538	5,500		5,500
-247	-247		-247
-207	-207		-207
9,838	40,948	4	40,952
22,616	22,616		22,616
	121		121
	-19		-19
22,616	22,718		22,718
242	797		797
-40	-40		-40
-1,027	-1,027		-1,027
31,629	63,396	4	63,400

CASH FLOW STATEMENT

	2016 EUR'000	2015 EUR'000
Operating profit	35,580	4,521
Changes in cash flow		
Fair value adjustment of investment properties	-33,157	-1,955
Depreciations	15	8
Other non-cash items	-1	-3
Changes in receivables	-13	144
Changes in other payables	151	32
Interest received	1	3
Interest paid	-1,501	-1,785
Payment of corporation taxes	-230	131
Cash flow from operating activities	845	1,096
Additions of property, plant and equipment	-5,362	-764
Acquisitions of own shares	-1,027	-207
Cash flow from investing activities	-6,389	-971
Capital increases	797	5,500
Costs related to capital increases	-40	-247
Proceeds from borrowings	3,984	1,590
Loan repayments	-884	-2,912
Cash flow from financing activities	3,857	3,931
NET CASH FLOW	-1,687	4,056
Cash and cash equivalents		
Cash and cash equivalents at 1 January	5,058	1,002
Net cash flow	-1,687	4,056
Cash and cash equivalents at 31 December	3,371	5,058

NOTES

NOTE 1 ACCOUNTING POLICIES

Basis for preparation

The financial statements have been prepared in accordance with International Financial Reporting (IFRS) as adopted by the EU at 31 December 2016 and additional Danish disclosure requirements for financial statements for reporting class B entities. All approved, mandatory standards and bases for conclusion having become effective at 31 December 2016 have been applied in the financial year.

New and amended statements and bases for conclusions not yet effective

IASB has issued a number of new standards, amendments to existing standards and bases for conclusions, which have not yet come into force, but which will become effective in the financial year 2017 or later. These are not expected to have a significant effect on recognition and measurement in future annual reports.

IFRS 9 "Financial Instruments" was issued in July 2014 and becomes effective for financial years beginning on or after 1 January 2018. The standard brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It could become relevant to the group insofar as it requires to record exptected credit losses on its trade receivables.

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or rendering of services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for financial years beginning on or after 1 January 2018.

IFRS 16 "Leases" was issued in January 2016. The standard, which becomes effective for financial years beginning on or after 1 January 2019, alters the accounting treatment for lease contracts that today are treated as operating leases. The standard requires that all leasing contracts regardless of type and with few exceptions should be recognized in the lessee's balance sheet as an asset with a corresponding lease obligation. At the same time the lessee's income statement will be influenced by two elements in the future – depreciation and interest expense. Today the expense relating to operating leases is recognized as a single element in the income statement under operating expenses.

Consolidation

The consolidated financial statements comprise NordEstate A/S (parent company) and the entities in which the parent company directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest (subsidiaries).

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries by aggregating items of a similar nature and subsequently eliminating intra-group transactions, intra-group investments and balances and unrealised intra-group gains and losses. The financial statements used for consolidation purposes are prepared in accordance with the group's accounting policies.

Business combinations

Recently acquired companies considered acquired entities are recognised in the consolidated financial statements from the date of acquisition. Recently acquired companies only owning properties and not having any employees at the time of acquisition are not considered acquired entities, but acquired individual assets.

Acquisitions of new companies are accounted for using the purchase method of accounting, according to which the newly acquired companies' identifiable assets, liabilities and contingencies are measured at fair value at the date of acquisition.

Gains or losses on the sale or disposal of subsidiaries are ascertained as the difference between the selling price and the carrying amount of the net assets at the time of sale and expected disposal costs. Gains or losses are recognised in the income statement as realised gains or losses.

Currency translation

The consolidated financial statements and the parent company financial statements are presented in EUR, which is also the parent company's functional currency. For each of the reporting group entities, a functional currency is determined. The functional currency is the currency which is used as the primary currency for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

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 currency that have not been settled at the balance sheet date are translated at closing rates. Foreign-exchange differences between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment or the balance sheet date, respectively, are recognised in the income statement under 'Net financials'.

Income statement

Revenue

Consolidated revenue represents the year's rental income from investment property. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised exclusive of VAT and discounts.

Operating expenses

The group's operating expenses represent the year's operating expenses relating to investment property mainly in the form of maintenance and external fees.

Administrative expenses

The group's administrative expenses represent expenses incurred in relation to overall group management and administration and unrelated to the operation of individual properties.

Net financials

Net financials include interest income and expenses relating to receivables, cash and liabilities. Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period.

Taxes

Tax for the year, which includes current tax on the year's expected taxable income and the year's deferred tax adjustments, is recognised in the income statement as far as it relates to the net profit/loss for the year and is taken directly to equity as far as it relates to entries directly in equity or other comprehensive income, respectively.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax. In assessing current tax for the year, the applicable tax rates and rules on the balance sheet date are used.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The deferred tax is stated based on the planned utilisation of the individual asset and the payment of the individual liability, respectively.

Deferred tax assets are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Balance sheet

Investment properties

Investment property comprises investments in real estate held to earn rentals or for capital appreciation or both. Investment properties are recognised as assets at the date of acquisition.

On initial recognition, investment property is measured at cost, which for an acquired investment property comprises purchase price, expenses directly related to the acquisition and other expenses attributable to the acquisition plus subsequent improvements. Expenses providing new or improved qualities to the investment properties are added to the cost as improvement expenses. Repair and maintenance costs are recognised in the income statement in the financial year in which they are incurred.

Investment property is subsequently measured at fair value.

Profit or losses arising from disposal of investment property are ascertained as the difference between the selling price less selling costs and the carrying amount at the time of sale. Gains or losses are recognised in the income statement under the item 'Fair value adjustment of investment property and net gains on the sale of investment property'.

Receivables

Receivables include receivables from lessees and other receivables. On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually equals nominal value, less provisions for bad debts. Provisions are made according to the property-specific collectability risk.

Prepayments

Prepayments recognised as assets include expenses incurred relating to subsequent financial years. Prepayments are measured at cost.

Equity

Reserve for hedging transactions

The hedging reserve includes the accumulated net change in the fair value of hedging transactions that satisfy the criteria for hedging of future cash flows and where the hedged transaction has not yet been realised.

Derivative financial instruments
The group uses derivatives as interest-rate swaps to hedge interest-rate risks. Note 12 provides more information on the instruments used by the group. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognised in other comprehensive income and taken to a separate reserve in equity. Once the hedged transaction is realised, gains or losses concerning such hedging transactions are transferred via other comprehensive income from the equity reserve and recognised in the same item as the hedged item.

Financial liabilities
Payables to credit institutions relating to investment property are measured at the time of borrowing at the proceeds received net of transaction costs incurred. On subsequent recognition, payables to credit institutions are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. Other payables are measured at amortised cost, which usually corresponds to the nominal value.

Cash flow statement
The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the year and financial reserves at year-end.

Cash flows from operating activities are ascertained as the group’s profit or loss before net financials, adjusted for non-cash operating items, changes in working capital, paid financial expenses and paid income taxes.

Cash flows from investing activities comprise payments related to purchases and sales of companies and activities as well as purchases and sales of property, plant and equipment and financial assets.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related expenses, as well as the raising and repayment of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and distribution of dividends.

Cash and cash equivalents comprise cash net of operating credits lines.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management makes various accounting estimates and judgements which form the basis of presentation, recognition and measurement of the group's assets and liabilities. The most significant accounting estimates and judgements are presented below. The group's accounting policies are described in Note 1.

Judgements in applying the accounting policies

In the process of applying the group's accounting policies, management has made the following judgements, which have significant influence on the amounts recognised in the consolidated financial statements.

Additions of investment properties/entities

The group acquires investment properties as asset deals as well as subsidiaries which own investment property. At the time of acquisition, the group assesses if the transaction is an acquisition of an entity. The group treats an acquisition as a corporate acquisition where – besides investment properties – an integral number of activities are taken over. More specifically: Assessments are made to what extent significant processes are taken over and, in particular, to what extent the subsidiary renders ancillary services (maintenance, cleaning, security, bookkeeping services, etc.). The materiality of a given process is assessed on the basis on the guidance in IAS 40 regarding ancillary services.

Where the assets taken over are not considered an entity, the transaction is treated as a takeover of a group of assets and liabilities. The cost is allocated to the assets and liabilities taken over on the basis of their relative fair values, and no goodwill or deferred tax is recognised.

Accounting estimates

When preparing the financial statements, management has made a number of accounting estimates, including assumptions regarding the future, which imply a considerable risk of a significant adjustment of the carrying amounts of assets or liabilities in the next financial year. The most critical accounting estimates relate to the fair value of the group's investment property. The valuation method and the significant assumptions as well as information on sensitivity of the valuation regarding the most significant parameters are disclosed in the note on investment property.

NOTE 3 REVENUE

	2016 EUR'000	2015 EUR'000
Rental income	5,704	5,494
Income from operating costs rechargeable to tenants	1,964	1,903
Other income	245	157
Total revenue	7,913	7,554

Rental income results mostly from the letting of apartments to private persons. In 2016, kEUR 532 or 9.3 % related to commercial tenants (2015: kEUR 612 or 11.1 %).

NOTE 4 OPERATING EXPENSES

	2016 EUR'000	2015 EUR'000
Operating costs rechargeable to tenants	2,024	2,014
Maintenance	717	562
Land lease	167	164
Other operating expenses	891	772
Total operating expenses	3,799	3,512

NOTE 5 LEASE EXPENSES

Expenses include minimum lease payments in connection with operating leases of office space, cars and equipment, totalling kEUR 161 (2015: kEUR 149).

NOTE 6 FINANCIAL EXPENSES

	2016 EUR'000	2015 EUR'000
Interest on bank loans	1,561	1,812
Adjustment of carrying amounts due to revised estimated cash flows	4,502	0
Total financial expenses	6,063	1,812

NOTE 7 INCOME TAXES

	2016 EUR'000	2015 EUR'000
The year's tax expense recognised in the income statement:		
Estimated tax charge for the year	51	15
Change in deferred tax	6,851	463
Tax expense recognised in the consolidated income statement	6,902	478
Reconciliation of tax rate:		
Weighted average tax rate	22.617 %	15.825 %
Expected tax expense	6,676	429
Unrecognised deferred tax assets on tax losses carried forward	225	71
Tax expense for prior years	1	-29
Other	0	7
Tax expense recognised in the consolidated income statement	6,902	478

NOTE 8 INVESTMENT PROPERTIES

	2016 EUR'000	2015 EUR'000
Fair value at 1 January	86,140	83,448
Additions (recently acquired investment properties)	3,519	0
Additions (existing portfolio)	1,822	737
The year's fair value adjustment, net	33,157	1,955
Fair value at 31 December	124,638	86,140

The group's investment property is located in the following regions and cities:

2016	Fair value EUR'000	Lettable space sqm	Rental income EUR'000
Hamburg	43,690	26,857	2,175
Frankfurt am Main	39,505	15,902	1,557
Göttingen	17,363	11,896	848
Reutlingen	12,580	4,472	553
Ruhr Basin	11,500	7,377	571
Total portfolio	124,638	66,504	5,704
2015			
Hamburg	32,692	24,469	2,095
Frankfurt am Main	23,453	15,705	1,433
Göttingen	11,700	11,896	834
Reutlingen	10,191	4,530	539
Ruhr Basin	8,104	7,377	593
Total portfolio	86,140	63,977	5,494

There is no structural vacancy in any of the group's properties. Temporary vacancy is due to tenant changes and refurbishment. The average vacancy rate decreased from 2.93 % in 2015 to 2.64 % in 2016. During the year 2016, vacancy was reduced from 2.41 % as of 1 January to 1.68 % as of 31 December (rent roll as of the respective balance sheet date).

Management has analysed the risk profile of the total portfolio according to the requirements of IFRS 13. Management has concluded that the risk of each property is mainly determined by its location. Based on the location of the properties management has deemed the regions of Hamburg, Frankfurt am Main, Göttingen, Reutlingen and Ruhr Basin as significant risk classes of the investment property portfolio.

The following table summarises the development of investment property by risk class. All disclosures are made in kEUR.

	Hamburg	Frankfurt am Main	Göttingen	Reutlingen	Ruhr Basin	Total Portfolio
Risk class*	Level 3	Level 3	Level 3	Level 3	Level 3	
At 1 January 2015	30,646	22,048	12,439	10,126	8,189	83,448
Additions 2015 (existing portfolio)	0	737	0	0	0	737
Fair value adjustment 2015, net	2,046	668	-739	65	-85	1,955
At 31 December 2015	32,692	23,453	11,700	10,191	8,104	86,140
Additions 2016 (recently acquired investment properties)	3,519	0	0	0	0	3,519
Additions 2016 (existing portfolio)	113	1,709	0	0	0	1,822
Fair value adjustment 2016, net	7,366	14,343	5,663	2,389	3,396	33,157
At 31 December 2016	43,690	39,505	17,363	12,580	11,500	124,638

* Classified in accordance with the fair value hierarchy of IFRS 13. Level 3 is chosen due to the use of a DCF-model for the valuation as of 31 December 2015 and the use of internal documents as of 31 December 2016. In both cases the valuation therefore is based on unobservable inputs.

As of 31 December 2016, the property Hamburg Lohkampstraße is valued at the expected sales price of kEUR 7,640 which was set based on an independent appraisal. The valuation uses the income approach and is based mainly on the gross rental income of the property as well as parameters derived from publicly available information (notably property rates). As of 31 December 2016 the valuation is based on a weighted property rate of 4.2.

The other properties are valued at the sales prices for which they will be sold based on the contract described in more detail in Note 18. The valuation method has been changed because the actual sales prices reflect the current fair market values of the properties more accurately than the results of the methods applied in past reporting periods.

As of 31 December 2015, the fair value has been determined using a discounted cash flow calculation based on the fact that the Group generates economic benefits by using each investment property in its highest and best use. Net rental income and the related costs for maintenance and administration have been planned for a detailed planning horizon of ten years. The net cash flows have been discounted to the balance sheet date. The net cash flows for year ten have been capitalised to determine the residual value and the residual value has then been discounted to the balance sheet date.

Capitalisation rates have been calculated on individual property level based on information on current transaction prices for comparable properties in comparable locations. Discount rates have been derived from capitalisation rates taking into account assumptions about property aging and development of operating result implicit in the capitalisation rates.

The significant valuation parameters as of 31 December 2015 were:

		Min.	Max.	Average
Rent growth (% p.a.)	Total portfolio	0.00	1.00	0.94
	Hamburg	0.66	1.00	0.94
	Frankfurt am Main	1.00	1.00	1.00
	Göttingen	1.00	1.00	1.00
	Reutlingen	0.00	1.00	0.84
	Ruhr Basin	0.00	1.00	0.76
Administration costs residential (EUR per unit p.a.)	Total portfolio	210.00	278.68	238.84
	Hamburg	222.39	267.51	247.05
	Frankfurt am Main	210.00	238.92	224.23
	Göttingen	229.08	229.08	229.08
	Reutlingen	239.05	239.05	239.05
	Ruhr Basin	237.80	278.68	261.87
Maintenance costs (EUR per sqm p.a.)	Total portfolio	8.00	12.00	9.14
	Hamburg	8.00	12.00	9.00
	Frankfurt am Main	8.00	8.00	8.00
	Göttingen	8.75	8.75	8.75
	Reutlingen	12.00	12.00	12.00
	Ruhr Basin	9.00	10.50	9.99
Discount rate (%)	Total portfolio	5.11	8.93	6.19
	Hamburg	5.11	6.91	5.66
	Frankfurt am Main	6.58	6.98	6.78
	Göttingen	6.69	6.69	6.69
	Reutlingen	5.39	5.39	5.39
	Ruhr Basin	6.04	8.93	6.92
Capitalisation rate (%)	Total portfolio	4.57	8.27	5.51
	Hamburg	4.71	6.07	5.19
	Frankfurt am Main	5.71	6.15	5.93
	Göttingen	5.93	5.93	5.93
	Reutlingen	4.57	4.57	4.57
	Ruhr Basin	5.25	8.27	6.18

The most significant parameters used were the discount and capitalisation rate. If discount and capitalisation rates had been reduced or increased by 25 bp, the fair value of investment properties had been higher or lower as specified in the following table.

2015	Fair value (-25 bp) EUR'000	Fair value (-25 bp) %	Fair Value (+25 bp) EUR'000	Fair value (+25 bp) %
Hamburg	34,379	+5.16	31,161	-4.68
Frankfurt am Main	24,487	+4.41	22,502	-4.05
Göttingen	12,215	+4.40	11,226	-4.05
Reutlingen	10,781	+5.79	9,662	-5.19
Ruhr Basin	8,453	+4.31	7,783	-3.96
Total Portfolio	90,315	+4.85	82,334	-4.42

No external valuation expert assisted with the valuation of the properties as of 31 December 2015.

NOTE 9 RECEIVABLES FROM LESSEES

Receivables from tenants include outstanding rent payments and compensation for rechargeable costs incurred by the group. Historically no significant losses have incurred on receivables from tenants. Provisions have been set up based on a property-specific risk assessment where receivable losses are expected.

NOTE 10 CAPITAL STRUCTURE

The group finances acquisition of real estate partly by debt. In the long term, the group plans to operate based on a loan to value ratio of 60 %. Upon acquisition, a higher ratio may be contracted where a reduction by scheduled repayments and an increase in value of the property is foreseeable. As of 31 December 2016, the group’s loan to value ratio was 45.2 % (2015: 56.6 %).

During the year, the share capital was increased by EUR 554,660.00 by issuing 55,466 class B shares with a nominal amount of EUR 10.00 each. The share capital has been fully paid up.

Analysis of the share capital:

	2016 EUR’000	2015 EUR’000
Class A shares of EUR 10 each	15,635	15,635
Class B shares of EUR 10 each	16,132	15,577
Total share capital	31,767	31,212

Each nominal share amount of EUR 10.00 belonging to class A shares is given 10 votes, while each nominal share amount of EUR 10.00 belonging to class B shares is given one vote. Besides the number of votes, the two classes of shares are identical. The shareholders have the power to amend the financial statements.

Analysis of changes in the share capital:

	2016 EUR’000	2015 EUR’000
Share capital at 1 January	31,212	27,250
Capital increases	555	3,962
Share capital at 31 December	31,767	31,212

The group owns 126,896 shares in the parent company at 31 December 2016 (2015: 72,496 shares), comprising 3.39 % of total share capital (2015: 2.32 %). The shares were acquired from shareholders expressing a preference for disposal. No treasury shares were sold in 2016 (2015: none).

As of the balance sheet date the following shareholders held 5 % or more of the share capital or the voting rights:

- Credit Suisse AG, Zürich, Switzerland
- Kassenärztliche Vereinigung Westfalen-Lippe (KVWL), Münster, Germany
- Kleemeier, Schewe & Co. KSH GmbH, Herford, Germany
- Market Wizard GmbH, Pfäffikon, Switzerland
- Pensionskasse Swiss Steel AG, Emmenbrücke, Switzerland
- Ruoss, Clemens + Partner AG, Zillikon, Switzerland
- St. Galler Kantonal Bank AG, St. Gallen, Switzerland
- Thomas Kink, Wettingen, Switzerland

NOTE 11 PAYABLES TO CREDIT INSTITUTIONS

	Effective interest rate	Conditions valid until	Expected maturity	2016 EUR'000	2015 EUR'000
kEUR 18,760 bank loan	4.16 %	2020	2017	20,552	17,682
kEUR 2,240 bank loan	3.00 %	2020	2017	1,997	1,936
kEUR 2,000 bank loan	3.00 %	2020	2017	1,784	1,729
kEUR 8,600 bank loan	1.52 %	2021	2017	9,088	6,507
kEUR 4,946 bank loan	1.57 %	2021	2017	5,231	5,033
kEUR 2,039 bank loan	2.39 %	2021	2017	2,163	2,010
kEUR 4,959 bank loan	1.34 %	2020	2054	4,869	4,949
kEUR 3,100 bank loan	3M-EURIBOR + 100 bp	2018	2017	2,723	2,804
kEUR 1,950 bank loan	3M-EURIBOR + 100 bp	2019	2017	1,940	0
kEUR 6,500 bank loan	2.36 %	2017	2017	6,039	6,075
Total				56,386	48,725

All loans except the kEUR 4,959 bank loan related to the property Hamburg Lohkampstraße will be repaid when the properties will be sold. Accordingly, they have been recognised at the amounts to be repaid including the expected early repayment penalties.

NOTE 12 FINANCIAL RISKS

The group is subject to financial risks. Management has established processes to continually monitor the risks to which the group is susceptible. Namely, liquidity and interest rate risks apply.

Liquidity risk

The liabilities fall due as shown in the following table. The table shows the contractual situation as of the balance sheet date for the mortgage debt. For the expected maturities we refer to Note 11.

EUR'000	Falling due within 1 year	Falling due between 2-5 years	Falling due after 5 years	Total	Carrying amount
2016					
Mortgage debt	979	4,294	47,703	52,976	56,386
Other payables	10,425	0	0	10,425	10,425
Total	11,404	4,294	47,703	63,401	66,811
2015					
Mortgage debt	5,861	3,661	40,337	49,859	48,725
Other payables	386	0	0	386	386
Total	6,247	3,661	40,337	50,245	49,111

Management continually monitors the maturity of the group's liabilities and develops appropriate schedules for managing the maturity structure. The instruments available to manage liquidity risk include ensuring a market-compliant equity ratio and refinancing of mortgage debt.

Interest rate risk

The group uses variable interest rate loans and is therefore subject to risks due to interest rate changes. As of the balance sheet date loans totalling kEUR 4,663 (2015: kEUR 7,837) were subject to variable interest rate agreements (for details refer to Note 11). Of these, no loan (2015: one loan totalling kEUR 5,033) was secured by an interest rate swap (please refer to Note 13).

For the remaining loans of kEUR 4,663 (2015: kEUR 2,804) the following sensitivities apply. If the 3M-Euribor were to increase by 50 bp, annual interest expense would be kEUR 8 higher (2015: kEUR 10). It was agreed with the bank that in case of a negative 3M-Euribor interest equal to the bank's margin has to be paid. As of the balance sheet date the 3M-Euribor was negative and a further decrease would therefore not affect interest payments. The same applied as of 31 December 2015.

Valuation of assets and liabilities

For mortgage debt the carrying amounts and fair values compare as follows:

	2016 EUR'000	2015 EUR'000
Carrying amount	56,386	48,725
Fair Value	52,976	49,859

NOTE 13 HEDGE ACCOUNTING

The group used one interest rate swap to secure the interest rate risk of one variable interest loan with a carrying amount of kEUR 5,033 as of 31 December 2015. This interest rate swap expired in December 2016. Management has assessed this transaction as an effective hedge and accordingly the financial instrument is presented as a cash flow hedge in the financial statements.

NOTE 14 DEFERRED TAXES

	2016 EUR'000	2015 EUR'000
Investment property	10,542	2,100
Mortgage debt	-1,070	81
Tax losses carried forward	-948	-508
Financial instruments	0	-19
Deferred tax liability, net	8,524	1,654

Deferred taxes are recognised for temporary differences where the measurement of assets or liabilities in the consolidated financial statements differs from the measurement in the tax balance sheets. Deferred tax assets are recognised for temporary differences and for tax losses carried forward to the extent that deferred tax liabilities exist. Deferred tax assets and deferred tax liabilities are set off for each tax subject individually.

The group did not recognise deferred tax assets for tax losses carried forward totalling kEUR 3,764 (2015: kEUR 2,035). These tax losses have no expiration date.

NOTE 15 CONTINGENT LIABILITIES, SECURITY FOR LOANS AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

The group has entered into a management agreement with NordEstate Management GmbH, Zürich, Switzerland. According to the agreement NordEstate A/S is, among other things, committed to pay the management company a fee of 20 % of any gain if selling a property. Further, the group is committed to pay a fee of 5 % of the property portfolio if the group terminates the agreement with the management company. Based on the investment property valuation as of the balance sheet date, the contingent liabilities for both fees are EUR 8.2 million and EUR 4.4 million (plus VAT), respectively.

Security for loans

The following assets have been put up as security for mortgage debt:

	2016 EUR'000	2015 EUR'000
Investment property	124,638	86,140
Receivables from tenants	165	172
Cash	1,115	373
Total	125,918	86,685

The group has not put up any other security for loans etc. at 31 December 2016 or 31 December 2015.

Other obligations

As of the balance sheet date the group has the following obligations from existing service and leasing agreements:

	2016 EUR'000
2017	602
2018	142
2019	127
2020 and after	120

	2015 EUR'000
2016	1,214
2017	1,019
2018	149
2019 and after	232

NOTE 16 RELATED PARTY TRANSACTIONS

The company's related parties include members of the board of directors and executive board, executive officers and their family members. Related parties further include companies in which the above-mentioned persons hold significant interests.

In accordance with the management agreement management fees totalling EUR 0.8 million were paid to NordEstate Management GmbH in 2016 (2015: EUR 0.8 million). No other significant related party transactions have taken place in 2016. Reference is made to the event described in Note 18 and the contingent liabilities described in Note 15.

Remuneration

The members of the board of directors and executive board are not remunerated by the group. Fees paid to member of the executive board are paid via the management agreement.

NOTE 17 STAFF

In 2016, the group employed an average of 11.7 FTE (2015: 10.5).

NOTE 18 POST BALANCE SHEET EVENTS

On 3 March 2017 a contract regarding the sale of the group's property portfolio was signed. The contract comprises the sale of all of the group's properties (except the property Hamburg Lohkamp-straße) for a total purchase price of EUR 117.4 million. In connection with signing and executing this contract, NordEstate A/S incurrs costs of approximately EUR 15 million, which will be recognised as expenses in 2017.

No other events have occurred after the financial year-end, which could significantly affect the group's financial position.

FINANCIAL STATEMENTS PARENT COMPANY

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Financial statements, parent company

INCOME STATEMENT
for the year ended 31 December

	Note	2016 EUR'000	2015 EUR'000
Administrative expenses		281	200
Operating result		-281	-200
Financial income		18	19
Financial expenses		-1,148	-17
Profit before tax		-1,411	-198
Tax for the year	3	0	0
RESULT FOR THE YEAR		-1,411	-198
Appropriation of profit			
Profit and loss account at year end		-1,411	-198
		-1,411	-198

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December

	2016 EUR'000	2015 EUR'000
Profit for the year	-1,411	-198
Other comprehensive income	0	0
Comprehensive income for the year	-1,411	-198

BALANCE SHEET
at 31 December

	Note	2016 EUR'000	2015 EUR'000
ASSETS			
Long-term assets			
Other long-term assets			
Investments in group enterprises	4	29,824	28,949
Total long-term assets		29,824	28,949
Short-term assets			
Receivables			
Receivables from group entities		1,365	1,398
Other receivables		150	17
Total receivables		1,515	1,415
Cash		2,152	4,565
Total short-term assets		3,667	5,980
TOTAL ASSETS		33,491	34,929

	2016 EUR'000	2015 EUR'000
EQUITY AND LIABILITIES		
Equity		
Share capital	31,767	31,212
Reserve for currency translation	-5	-5
Retained earnings	-495	1,741
Total equity	31,267	32,948
Liabilities		
Short-term liabilities		
Payables to group entities	2,193	1,942
Other payables	31	39
Total short-term liabilities	2,224	1,981
TOTAL EQUITY AND LIABILITIES	33,491	34,929

STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Reserve for currency translation	Retained earnings	Total equity
Equity at 1 January 2015	27,250	-5	855	28,100
Result for the year			-198	-198
Other comprehensive income				
Comprehensive income			-198	-198
Capital increases	3,962		1,538	5,500
Costs related to capital increases			-247	-247
Acquisition of own shares			-207	-207
Equity at 31 December 2015	31,212	-5	1,741	32,948
Result for the year			-1,411	-1,411
Other comprehensive income				
Comprehensive income			-1,411	-1,411
Capital increases	555		242	797
Costs related to capital increases			-40	-40
Acquisition of own shares			-1,027	-1,027
Equity at 31 December 2016	31,767	-5	-495	31,267

CASH FLOW STATEMENT

	2016 EUR'000	2015 EUR'000
Operating result	-281	-200
Changes in receivables	-100	95
Changes in other short-term liabilities	243	1,267
Interest received	18	19
Interest paid	-106	-17
Payment of income taxes	0	0
Cash flow from operating activities	-226	1,164
Additions of financial assets	-1,917	-2,050
Acquisitions of own shares	-1,027	-207
Cash flow from investing activities	-2,944	-2,257
Capital increases	797	5,500
Costs related to capital increases	-40	-247
Cash flow from financing activities	757	5,253
NET CASH FLOW	-2,413	4,160
Cash and cash equivalents		
Cash and cash equivalents at 1 January	4,565	405
Net cash flow	-2,413	4,160
Cash and cash equivalents at 31 December	2,152	4,565

NOTES

NOTE 1 ACCOUNTING POLICIES

The financial statements of NordEstate A/S have been prepared in accordance with International Financial Reporting Standards as adopted by the EU at 31 December 2016 and additional Danish disclosure requirements.

NordEstate A/S' accounting policies are consistent with the ones applied by the group, which are disclosed in Note 1 to the consolidated financial statements, with the following additions:

Investments in subsidiaries
Investments in subsidiaries are measured at cost. Where the cost exceeds the recoverable amount, a write-down is made to such lower value. Possible impairment losses are included in financial expenses.

Dividends
Dividends from investments in subsidiaries are recognised in the parent company's income statement when final title to the dividend has been acquired, which is typically at the time when the company in general meeting approves the dividend distribution from the entity concerned.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management makes various accounting estimates and judgements which form the basis of presentation, recognition and measurement of the group's assets and liabilities.

Critical judgements in applying accounting policies
No other judgements than the ones reflected in Note 2 to the consolidated financial statements have been made in respect of the parent company.

Accounting estimates
While preparing the financial statements, management has made a number of accounting estimates, including assumptions as to the future, which implies a considerable risk of a significant adjustment of the carrying amounts of assets or liabilities in the coming financial year. The most critical accounting estimates relate to impairment testing of the company's subsidiaries.

NOTE 3 TAXES

	2016 EUR'000	2015 EUR'000
The year's tax expense recognised in the income statement		
Estimated tax charge for the year	0	0
Prior year adjustments	0	0
Change in deferred tax	0	0
Total	0	0

Restatement of tax rate		
Danish tax rate	22.0 %	23.5 %
Unrecognised deferred tax asset on tax losses carried forward	-22.0 %	-23.5 %
Effective tax rate	0.0 %	0.0 %

The parent company did not recognise deferred tax assets for tax losses carried forward totalling kEUR 2,830 (2015: kEUR 1,419). These tax losses have no expiration date.

NOTE 4 INVESTMENTS IN SUBSIDIARIES

	2016 EUR'000	2015 EUR'000
Cost at 1 January	28,949	26,899
Additions	1,917	2,050
Impairment losses	-1,042	0
Cost at 31 December	29,824	28,949

Subsidiaries	Interest	Country
NordEstate Immobilien 1 GmbH	100 %	Germany
NordEstate Maintal GmbH	100 %	Germany
NordEstate HH Soltauer Ring GmbH	100 %	Germany
NordEstate HH Schneverdinger Weg GmbH	100 %	Germany
NordEstate Bad Vilbel Büdinger Straße GmbH	100 %	Germany
NordEstate Wohnen GmbH (formerly NordEstate Wohnen Frankfurt GmbH)	100 %	Germany
NordEstate Elmshorn FA GmbH (formerly NordEstate Erwerbs GmbH, formerly NordEstate Wuppertal Cronenbergerstraße GmbH)	100 %	Germany
NordEstate AG	100 %	Germany
NordEstate Göttingen ESM B.V. (formerly GRIF Investments II B.V.)	94.9 %	Holland
NordEstate HH Kiwittsmoor B.V. (formerly GRIF Investments VII B.V.)	94.9 %	Holland
NordEstate Reutlingen HBS B.V. (formerly GRIF Investments XXII B.V.)	94.9 %	Holland
NordEstate Neuss AdB B.V. (formerly GR VAF Investments II B.V.)	94.9 %	Holland

NOTE 5 CONTINGENT LIABILITIES, SECURITY FOR LOANS AND OTHER FINANCIAL OBLIGATIONS

Management agreement

The group has entered into an agreement with NordEstate Management GmbH, Zürich, Switzerland. Further information is disclosed in Note 15 to the consolidated financial statements.

Security for loans

The company has not put up any security for loans etc. at 31 December 2016 or 2015.

Other obligations

As of the balance sheet date the company has the following obligations from existing leasing agreements:

	2016 EUR'000
2017	12
2018	12
2019 and after	1

	2015 EUR'000
2016	11
2017	7
2018	6
2019 and after	0

NOTE 6 RELATED PARTY TRANSACTIONS

	2016 EUR'000	2015 EUR'000
Balance sheet		
Loans to related parties	1,365	1,398
Loans from related parties	2,193	1,942
Total	-828	-544

All related party transactions are made with the company's subsidiaries.

The loans are unsecured and can be cancelled with one month's notice. Interest is calculated based on the 3M-Euribor plus a margin of 150 basis points.

NOTE 7 STAFF

In 2016, the company employed an average of 1.0 FTE (2015: 1.0).

NOTE 8 POST BALANCE SHEET EVENTS

Other than as described in Note 18 to the consolidated financial statements, no events have occurred after the financial year-end, which could significantly affect the company's financial position.