NordEstate A/S

Værkmestergade 25, 8000 Aarhus C, Denmark

CVR.-no. 29 81 74 56

Annual Report

for the year ended 31 December 2015
7th financial year

Approved at the annual general meeting of shareholders

On 5 April 2016

Henrik Steenfeldt Jacobsen

Henrik Steenfeldt Jacobsen, Chairman of the board of directors

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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 2015.

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 2015 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 2015.

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, 9 March 2016

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

Independent auditors' report on the consolidated financial statements and the parent company financial statements

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 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement 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.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation and presentation 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 in the Danish Financial Statements Act and for such internal control that 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.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain key audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

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 2015 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 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to he Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aarhus, 9 March 2016

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

Hans Peter Roug
State Authorised Public Accountant

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 Wuppertal Cronenbergerstraße GmbH (in future: NordEstate Erwerbs GmbH)	100 %	1
8	NordEstate Wohnen Frankfurt GmbH (in future: NordEstate Wohnen GmbH)	100 %	1
9	NordEstate AG	100 %	1
10	GRIF Investments II B.V. (in future: NordEstate Göttingen ESM B.V.)	94.9 %	9
11	GRIF Investments VII B.V. (in future: NordEstate HH Kiwittsmoor B.V.)	94.9 %	9
12	GRIF Investments XXII B.V. (in future: NordEstate Reutlingen HBS B.V.)	94.9 %	9
13	GR VAF Investments II B.V. (in future: NordEstate Neuss AdB B.V.)	94.9 %	9

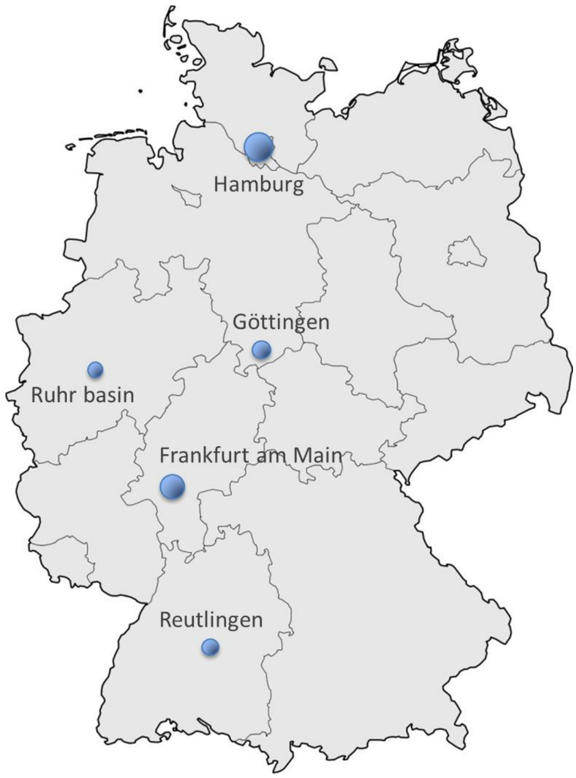
MANAGEMENT'S REVIEW

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 2015, NordEstate's portfolio comprises properties totalling kEUR 86,140 (2014: kEUR 83,448) and located in the following cities and regions:

	2015	2014
Hamburg	38 %	37 %
Frankfurt am Main	27 %	26 %
Göttingen	14 %	15 %
Reutlingen	12 %	12 %
Ruhr basin	9 %	10 %

The portfolio holds a total of 1,024 residential units, 37 commercial units and 528 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

2015 was for the NordEstate A/S group another very successful year. Total return on investment (ROI) for the investors of NordEstate A/S was 7.4 %, well within the upper range of the long-term profitability target of 6.0 - 8.0 %. Net asset value (NAV) per share increased by EUR 0.89 to EUR 13.99.

With these results NordEstate A/S continues the strong performance shown in the past years:

	ROI %	NAV per share EUR
2015	7.4	13.99
2014	7.7	13.10
2013	7.3	12.20
2012	7.5	11.43
2011	9.0	10.46

Operating result

Operating result (not taking into consideration changes in fair value of investment property) amounted to kEUR 757 after kEUR 492 in 2014.

The very favourable development is based mainly on the increases in net cold rent achieved already in 2014 and the optimisation of the capital structure effectuated in 2014. During 2015 further increases in net cold rent were achieved and the capital structure further optimised. Both contributed to the positive development of the operating result in 2015 and form a solid basis for its further increase.

Rent development

During 2015 NordEstate focussed on managing and improving the existing portfolio. As a result, in-place rent as of 31 December 2015 increased by kEUR 202 or 3.7 % to kEUR 5.638 compared to 31 December 2014 (rent roll as of the respective balance sheet date). The main contributing factors were an increase in target rents of residential and commercial units and a reduction in vacancy.

Target rents of residential and commercial units were increased by kEUR 186 or 3.5 %. A major contributing factor was the completion of the modernisation of our Bad Vilbel property in the summer 2015 of and the subsequent modernisation rent increase.

We also notice that our strategy of carefully considered, planned and carried out renovation of vacant apartments leads to significantly improved lettability including net cold rent potential.

Vacancy of residential and commercial units was reduced from 2.7 % to 2.4 %, contributing kEUR 11 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. The remaining increase of kEUR 5 was achieved with other units (mainly parking).

An important contributing factor to the increase in net cold rents is our strategy to operate our properties with own staff and cover the complete value chain starting with facility and property management. In addition to our existing office in Frankfurt am Main we have opened another office in Hamburg in 2015 and in-housed the operations of some of our Hamburg properties from 1 July 2015 and for all of them from 1 January 2016.

Real estate portfolio

The positive development in net cold rent is also reflected in an increase in fair value of investment properties.

Our market research indicates that market prices in terms of rent multiples are stable in most of the locations where we are active. For 2015 an increase of rent multiples can be observed for our properties in Hamburg.

Construction work at the most important current project – the energetic modernisation of our Bad Vilbel property – was substantially completed in 2015. We want to convey a first impression of the property's appearence with the following picture. The picture shows the modernised west face of the building Büdinger Straße 21-23. The transformation of the outdoor area will be completed with plantation in spring 2016.

BAD VILBEL, BÜDINGER STRASSE 9-23 AFTER MODERNISATION

In addition, we – together with the local property manager of our properties situated in the Ruhr basin region – conducted an analysis of the vacant appartments in this region and developed and implemented a plan to reduce vacancy.

Capital structure

In the long term, the group plans to operate based on a loan to value ratio of 60 %. As of 31 December 2015, the group's loan to value ratio was 56.6 % (2014: 59.9 %).

During the year, the share capital was increased by kEUR 3,962 by issuing 396,154 class B shares with a nominal amount of EUR 10.00 each. The increase in share capital led to net proceeds of kEUR 5,253. The proceeds were partly (kEUR 2,100) used to optimise the capital structure by repayment of high yield debt and are partly available to finance future acquisitions.

We observe that the market is continuing to offer attractive borrowing conditions and we use the favourable conditions to improve borrowing costs.

Annualised effective interest on interest bearing debt as of the balance sheet date was reduced by kEUR 208 to kEUR 1,605 and the weighted average effective interest rate of interest bearing debt was reduced by 34 bp to 3.29 %.

In January 2016 a further refinancing agreement was signed, which effectuates a further reduction of the weighted average effective interest rate to 2.79 % from 1 April 2016.

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

NordEstate expects a very positive outlook for 2016. Operating profit (excluding investment property revaluation) is expected to further increase due to the positive developments in rents and financing costs achieved in 2015.

Total operating profit will also be depending on investment property revaluation, which reflects among other parameters the general development of market prices for investment properties. NordEstate expects a very positive outlook for the German real estate market for 2016, especially for the rental apartment sector where we see low vacancy rates and increasing rents in the economically prospering cities and regions.

For 2016 we plan the start of an extensive modernisation project in our Maintal property. In addition to the energetic modernisation of face and roof it is planned to develop the attic floors, creating additional appartments and increasing the the total floor space of the property.

The construction work will be paid for by taking up an additional bank loan, which will cover the complete projected construction costs of approximately EUR 2.1 million.

NordEstate will continue to optimise its capital structure and to acquire capital to support the group's expansion. In 2016, priorities include further capital increases of NordEstate A/S.

Following the growth strategy successfully implemented in the group's past, we plan to acquire additional properties. Funds for acquisitions are available due to the 2015 capital increases.

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INCOME STATEMENT
for the year ended 31 December

	Note	2015 EUR'000	2014 EUR'000
Revenue	3	7,554	7,471
Operating expenses	4	3,512	3,538
Fair value adjustment of investment property and net gains on the sale of investment property		1,955	1,904
Gross margin		5,997	5,837
Administrative expenses		1,476	1,373
Operating profit		4,521	4,464
Financial income		3	1
Financial expenses		1,812	2,069
Profit before tax		2,712	2,396
Tax for the year	6	478	437
PROFIT FOR THE YEAR		2,234	1,959
Appropriation of profit			
Shareholders of the parent company		2,234	1,959
Minority interests		0	0
		2,234	1,959

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December

	2015 EUR'000	2014 EUR'000
Profit for the year	2,234	1,959
Value adjustment of hedging instruments	97	32
Deferred tax on other comprehensive income	-15	-5
Comprehensive income for the year	2,316	1,986

Appropriation of comprehensive income		
Shareholders of the parent company	2,316	1,986
Minority interests	0	0
	2,316	1,986

BALANCE SHEET
at 31 December

	Note	2015 EUR'000	2014 EUR'000
ASSETS			
Long-term assets			
Property, plant and equipment			
Investment properties	7	86,140	83,448
Office equipment		35	16
Total long-term assets		86,175	83,464
Short-term assets			
Receivables			
Receivables from lessees	8	172	250
Income taxes		219	351
Other receivables		143	212
Prepayments		71	68
Total receivables		605	881
Cash		5,058	1,002
Total short-term assets		5,663	1,883
TOTAL ASSETS		91,838	85,347

	Note	2015 EUR'000	2014 EUR'000
EQUITY AND LIABILITIES			
Equity			
Share capital	9	31,212	27,250
Hedging reserve		-102	-184
Retained earnings		9,838	6,520
		40,948	33,586
Minority interests		4	4
Total equity		40,952	33,590
Liabilities			
Long-term liabilities			
Payables to credit institutions	10	42,864	47,123
Financial instruments measured at fair value	12	121	218
Deferred taxes	13	1,654	1,176
Total long-term liabilities		44,639	48,517
Short-term liabilities			
Current portion of long-term liabilities		5,861	2,901
Trade payables		281	253
Income taxes		19	4
Other payables		86	76
Deferred income		0	6
Total short-term liabilities		6,247	3,240
TOTAL EQUITY AND LIABILITIES		91,838	85,347

STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Reserve for hedging transactions
Equity at 1 January 2014	25,187	-211
Profit for the year		
Value adjustment of hedging instruments		32
Deferred tax on other comprehensive income		-5
Comprehensive income		27
Capital increases	2,063	
Costs related to capital increases		
Acquisition of own shares		
Equity at 31 December 2014	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

Retained earnings	Total	Minority interest	Total equity
4,409	29,385	4	29,389
1,959	1,959		1,959
	32		32
	-5		-5
1,959	1,986		1,986
687	2,750		2,750
-146	-146		-146
-389	-389		-389
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

CASH FLOW STATEMENT

	2015 EUR'000	2014 EUR'000
Operating profit	4,521	4,464
Changes in cash flow		
Fair value adjustment of investment properties	-1,955	-1,904
Depreciations	8	6
Other non-cash items	-3	2
Changes in receivables	144	71
Changes in other payables	32	-54
Interest received	3	1
Interest paid	-1,785	-1,989
Payment of corporation taxes	131	-179
Cash flow from operating activities	1,096	418
Additions of property, plant and equipment	-764	-1,452
Acquisitions of own shares	-207	-389
Cash flow from investing activities	-971	-1,841
Capital increases	5,500	2,750
Costs related to capital increases	-247	-146
Proceeds from borrowings	1,590	1,449
Loan repayments	-2,912	-3,893
Cash flow from financing activities	3,931	160
NET CASH FLOW	4,056	-1,263
Cash and cash equivalents		
Cash and cash equivalents at 1 January	1,002	2,265
Net cash flow	4,056	-1,263
Cash and cash equivalents at 31 December	5,058	1,002

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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 2015 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 2015 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 2016 or later. These are not expected to have a significant effect on recognition and measurement in future annual reports.

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, using a DCF model based on external data concerning yield requirements to calculate discount rates and the budgeted cash flows for the individual properties.

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.

Deferred income

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

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

	2015 EUR'000	2014 EUR'000
Rental income	5,494	5,276
Income from operating costs rechargeable to tenants	1,903	2,001
Other income	157	194
Total revenue	7,554	7,471

Rental income results mostly from the letting of apartments to private persons. In 2015, kEUR 612 or 11.1 % related to commercial tenants (2014: kEUR 629 or 11.9 %).

NOTE 4 OPERATING EXPENSES

	2015 EUR'000	2014 EUR'000
Operating costs rechargeable to tenants	2,014	2,089
Maintenance	562	492
Land lease	164	164
Other operating expenses	772	793
Total operating expenses	3,512	3,538

NOTE 5 LEASE EXPENSES

Expenses include minimum lease payments in connection with operating leases of office space, cars and equipment, totalling kEUR 149 (2014: kEUR 106).

NOTE 6 INCOME TAXES

	2015 EUR'000	2014 EUR'000
The year's tax expense recognised in the income statement:		
Estimated tax charge for the year	15	25
Change in deferred tax	463	412
Tax expense recognised in the consolidated income statement	478	437

Reconciliation of tax rate:		
Weighted average tax rate	15,825 %	15,825 %
Expected tax expense	429	379
Unrecognised deferred tax assets on tax losses carried forward	71	64
Tax expense for prior years	-29	-2
Other	7	-4
Tax expense recognised in the consolidated income statement	478	437

NOTE 7 INVESTMENT PROPERTIES

	2015 EUR'000	2014 EUR'000
Fair value at 1 January	83,448	80,098
Additions, existing portfolio	737	1,446
The year's fair value adjustment, net	1,955	1,904
Fair value at 31 December	86,140	83,448

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

2015	Fair value EUR'000	Lettable space sqm	Rental income EUR'000
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
2014			
Hamburg	30,646	24,469	2,045
Frankfurt am Main	22,048	15,705	1,271
Göttingen	12,439	11,896	825
Reutlingen	10,126	4,530	554
Ruhr Basin	8,189	7,377	581
Total portfolio	83,448	63,977	5,276

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 3,70 % in 2014 to 2,93 % in 2015. During the year 2015, vacancy was reduced from 2,70 % as of 1 January to 2,41 % 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 2014	30,503	19,467	12,369	9,956	7,803	80,098
Additions 2014 (existing portfolio)	0	1,446	0	0	0	1,446
Fair value adjustment 2014, net	143	1,135	70	170	386	1,904
At 31 December 2014	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

* Classified in accordance with the fair value hierarchy of IFRS 13. Level 3 is chosen due to the use of a DCF-model and that the valuation therefore is based on unobservable inputs.

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 are:

		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 significant valuation parameters as of 31 December 2014 were:

		Min.	Max.	Average
Rent growth (% p.a.)	Total portfolio	0.00	1.00	0.93
	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	0.74
Administration costs residential (EUR per unit p.a.)	Total portfolio	210.00	210.00	210.00
	Hamburg	210.00	210.00	210.00
	Frankfurt am Main	210.00	210.00	210.00
	Göttingen	210.00	210.00	210.00
	Reutlingen	210.00	210.00	210.00
	Ruhr Basin	210.00	210.00	210.00
Maintenance costs (EUR per sqm p.a.)	Total portfolio	8.00	12.00	8.97
	Hamburg	8.00	12.00	8.97
	Frankfurt am Main	8.00	8.00	8.00
	Göttingen	8.75	8.75	8.75
	Reutlingen	10.50	10.50	10.50
	Ruhr Basin	9.00	10.50	10.01
Discount rate (%)	Total portfolio	5.43	8.25	6.27
	Hamburg	5.43	6.92	5.95
	Frankfurt am Main	6.58	6.98	6.80
	Göttingen	6.28	6.28	6.28
	Reutlingen	5.70	5.70	5.70
	Ruhr Basin	6.04	8.25	6.71
Capitalisation rate (%)	Total portfolio	4.85	7.58	5.58
	Hamburg	5.16	6.07	5.47
	Frankfurt am Main	5.71	6.15	5.95
	Göttingen	5.52	5.52	5.52
	Reutlingen	4.85	4.85	4.85
	Ruhr Basin	5.25	7.58	5.97

The most significant parameters used are the discount and capitalisation rate. If discount and capitalisation rates were reduced or increased by 25 bp, the fair value of investment properties had been higher or lower as specified in the following table. No external valuation expert assisted with the valuation of the properties.

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
2014				
Hamburg	32,139	+4.87	29,285	-4.44
Frankfurt am Main	23,042	+4.51	21,134	-4.15
Göttingen	13,029	+4.74	11,900	-4.33
Reutlingen	10,677	+5.44	9,629	-4.91
Ruhr Basin	8,549	+4.40	7,859	-4.03
Total Portfolio	87,436	+4.78	79,807	-4.36

NOTE 8 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 9 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 2015, the group's loan to value ratio was 56.6 % (2014: 59.9 %).

During the year, the share capital was increased by EUR 3,961,540.00 by issuing 396,154 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:

	2015 EUR'000	2014 EUR'000
Class A shares of EUR 10 each	15,635	15,635
Class B shares of EUR 10 each	15,577	11,615
Total share capital	31,212	27,250

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.

Analysis of changes in the share capital:

	2015 EUR'000	2014 EUR'000
Share capital at 1 January	27,250	25,187
Capital increases	3,962	2,063
Share capital at 31 December	31,212	27,250

The group owns 72,496 shares in the parent company at 31 December 2015 (2014: 57,496 shares), comprising 2.32 % of total share capital (2014: 2.11 %). The shares were acquired from shareholders expressing a preference for disposal. No treasury shares were sold in 2015 (2014: 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
- Pensionskasse Swiss Steel AG, Emmenbrücke, Switzerland
- Ruoss, Clemens + Partner AG, Zillikon, Switzerland
- St. Galler Kantonal Bank AG, St. Gallen, Switzerland
- Thomas Kink, Wettingen, Switzerland

The shareholders have the power to amend the financial statements.

NOTE 10 PAYABLES TO CREDIT INSTITUTIONS

	Effective interest rate	Conditions valid until	Expected maturity		2015 EUR'000	2014 EUR'000
kEUR 18,760 bank loan	4.16 %	2020	2056		17,682	17,751
kEUR 2,240 bank loan	3.00 %	2020	2031		1,936	2,031
kEUR 2,000 bank loan	3.00 %	2020	2031		1,729	1,813
kEUR 7,100 bank loan	4.66 %	2016	2041	*	6,507	6,622
kEUR 5,400 bank loan	3M-EURIBOR + 110 bp	2016	2016	*	5,033	5,120
kEUR 2,039 bank loan	2.39 %	2021	2048		2,010	1,440
kEUR 4,959 bank loan	1.34 %	2020	2054	*	4,949	4,029
kEUR 3,100 bank loan	3M-EURIBOR + 100 bp	2018	2045		2,804	2,885
kEUR 6,500 bank loan	2.36 %	2017	2046		6,075	6,205
Total					48,725	47,896

* Further information on these in the following paragraphs

The bank loan over kEUR 7,100 was refinanced with contract dated 15/18 January 2016 and with effect from 1 April 2016. The loan amount remaining on 31 March 2016 of kEUR 6,550 will be increased by kEUR 2,050 to finance a modernisation of the property in Maintal. The additional loan amount will be paid out between April and June 2016. The loan of then kEUR 8,600 has an effective interest rate of 1.35 %, which is fixed until 31 December 2021. Scheduled repayments of initially 2.00 % p.a. apply from 1 April 2017. The loan amount remaining on 31 July 2041 will fall due on that date.

For the bank loan over kEUR 5,400 the refinancing was negotiated and the loan conditions were agreed on 8 February 2016. The loan will be refinanced with effect from 16 December 2016. The loan of then kEUR 4,946 has an effective interest rate of 1.57 %, which is fixed until 31 December 2021. Scheduled repayments of initially 1.50 % p.a. apply from 1 January 2017. The maturity of the loan is expected for 2062. The loan contracts are currently being prepared and expected to be signed within a short time after the date of this report.

The bank loan formerly over kEUR 4,300 was refinanced with contract dated 29 September / 20 October 2015. The remaining loan amount of kEUR 3,959 was increased by kEUR 1,000 and the additional loan amount was paid out on 9 November 2015. The loan of now kEUR 4,959 has an effective interest rate of 1.34 %, which is fixed until 30 June 2020. Scheduled repayments of initially 2.00 % p.a. apply from 1 March 2016. The maturity of the loan is expected for 2054.

The current portion of long-term debt includes no liabilities to lenders other than credit institutions (2014: kEUR 2,127).

NOTE 11 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 follows:

EUR'000	Falling due within 1 year	Falling due between 2-5 years	Falling due after 5 years	Total	Carrying amount
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
2014					
Mortgage debt	774	8,658	39,648	49,080	47,896
Other payables	2,461	0	0	2,461	2,461
Total	3,235	8,658	39,648	51,541	50,357

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 7,837 (2014: kEUR 8,005) were subject to variable interest rate agreements (for details refer to Note 10). Of these, one loan of kEUR 5,033 (2014: kEUR 5,120) was secured by an interest rate swap (please refer to Note 12).

For the remaining loan of kEUR 2,804 (2014: kEUR 2,885) the following sensitivities apply. If the 3M-Euribor were to increase by 50 bp, annual interest expense would be kEUR 10 higher (2014: kEUR 15). 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. On 31 December 2014 the following applied: If the 3M-Euribor were to decrease to zero, annual interest expense would be kEUR 7 lower.

Valuation of assets and liabilities

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

	2015 EUR'000	2014 EUR'000
Carrying amount	48,725	47,896
Fair Value	49,859	49,080

NOTE 12 HEDGE ACCOUNTING

The group uses 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 the balance sheet date (2014: kEUR 5,120). This interest rate swap expires 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 13 DEFERRED TAXES

	2015 EUR'000	2014 EUR'000
Investment property	2,100	1,600
Mortgage debt	81	68
Financial instruments	-19	-35
Tax losses carried forward	-508	-457
Deferred tax liability, net	1,654	1,176

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 2,035 (2014: kEUR 1,588). These tax losses have no expiration date.

NOTE 14 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. Accumulated value adjustments of the group's properties are totalling kEUR 7,334 at 31 December 2015 (2014: kEUR 5,379). Management of the group has no intentions to sell properties or to terminate the management agreement. The strategy of the group consists in acquisition of property portfolios for the purpose of obtaining a regular operating income of the investment. The strategy does not contain plans for selling/termination of the portfolio. Thus, management assesses that determination of the contingent liabilities and timing maturity are subject to a significant uncertainty.

Security for loans

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

	2015 EUR'000	2014 EUR'000
Investment property	86,140	83,448
Receivables from tenants	172	250
Cash	373	446
Total	86,685	84,144

The group has not put up any other security for loans etc. at 31 December 2015 or 31 December 2014.

Other obligations

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

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

	2014 EUR'000
2015	1,252
2016	836
2017	7
2018 and after	0

NOTE 15 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.

No significant related party transactions have taken place.

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 16 POST BALANCE SHEET EVENTS

In January 2016 the contract described in Note 10 and regarding the refinancing of a bank loan was signed.

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

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INCOME STATEMENT
for the year ended 31 December

	Note	2015 EUR'000	2014 EUR'000
Administrative expenses		200	206
Operating result		-200	-206
Financial income		19	21
Financial expenses		-17	-9
Profit before tax		-198	-194
Tax for the year	3	0	0
RESULT FOR THE YEAR		-198	-194
Appropriation of profit			
Profit and loss account at year end		-198	-194
		-198	-194

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December

	2015 EUR'000	2014 EUR'000
Profit for the year	-198	-194
Other comprehensive income	0	0
Comprehensive income for the year	-198	-194

BALANCE SHEET
at 31 December

	Note	2015 EUR'000	2014 EUR'000
ASSETS			
Long-term assets			
Other long-term assets			
Investments in group enterprises	4	28,949	26,899
Total long-term assets		28,949	26,899
Short-term assets			
Receivables			
Receivables from group entities		1,398	1,498
Other receivables		17	12
Total receivables		1,415	1,510
Cash		4,565	405
Total short-term assets		5,980	1,915
TOTAL ASSETS		34,929	28,814

	2015 EUR'000	2014 EUR'000
EQUITY AND LIABILITIES		
Equity		
Share capital	31,212	27,250
Reserve for currency translation	-5	-5
Retained earnings	1,741	855
Total equity	32,948	28,100
Liabilities		
Short-term liabilities		
Payables to group entities	1,942	683
Other payables	39	31
Total short-term liabilities	1,981	714
TOTAL EQUITY AND LIABILITIES	34,929	28,814

STATEMENT OF CHANGES IN EQUITY

EUR'000	Share capital	Reserve for currency translation	Retained earnings	Total equity
Equity at 1 January 2014	25,187	-5	897	26,097
Result for the year			-194	-194
Other comprehensive income				
Comprehensive income			-194	-194
Capital increases	2,063		687	2,750
Costs related to capital increases			-146	-146
Acquisition of own shares			-389	-389
Equity at 31 December 2014	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

CASH FLOW STATEMENT

	2015 EUR'000	2014 EUR'000
Operating result	-200	-206
Changes in receivables	95	-289
Changes in other short-term liabilities	1,267	108
Interest received	19	0
Interest paid	-17	0
Payment of income taxes	0	0
Cash flow from operating activities	1,164	-387
Additions of financial assets	-2,050	-3,200
Acquisitions of own shares	-207	-389
Cash flow from investing activities	-2,257	-3,589
Capital increases	5,500	2,750
Costs related to capital increases	-247	-146
Cash flow from financing activities	5,253	2,604
NET CASH FLOW	4,160	-1,372
Cash and cash equivalents		
Cash and cash equivalents at 1 January	405	1,777
Net cash flow	4,160	-1,372
Cash and cash equivalents at 31 December	4,565	405

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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 2015 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.

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

	2015 EUR'000	2014 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	23.5 %	24.5 %
Unrecognised deferred tax asset on tax losses carried forward	-23.5 %	-24.5 %
Effective tax rate	0.0 %	0.0 %

Based on the legislation effective as of the balance sheet date, the Danish tax rate will reduce to 22.0 % for 2016 and onwards.

The parent company did not recognise deferred tax assets for tax losses carried forward totalling kEUR 1,419 (2014: kEUR 1,221). These tax losses have no expiration date.

NOTE 4 INVESTMENTS IN SUBSIDIARIES

	2015 EUR'000	2014 EUR'000
Cost at 1 January	26,899	23,699
Additions	2,050	3,200
Cost at 31 December	28,949	26,899

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 Frankfurt GmbH	100 %	Germany
NordEstate Wuppertal Cronenbergerstraße GmbH	100 %	Germany
NordEstate AG	100 %	Germany
GRIF Investments II B.V.	94.9 %	Holland
GRIF Investments VII B.V.	94.9 %	Holland
GRIF Investments XXII B.V.	94.9 %	Holland
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 14 to the consolidated financial statements.

Security for loans

The company has not put up any security for loans etc. at 31 December 2015 or 2014.

Other obligations

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

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

	2014 EUR'000
2015	51
2016	4
2017 and after	0

NOTE 6 RELATED PARTY TRANSACTIONS

	2015 EUR'000	2014 EUR'000
Balance sheet		
Loans to related parties	1,398	1,498
Loans from related parties	1,942	683
Total	-544	815

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 POST BALANCE SHEET EVENTS

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

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