

# K/S Mecura Hannover City

c/o Damborg, Astridsvej 20, 2770 Kastrup

Company reg. no. 29 85 26 69

## Annual report

### 2019

The annual report was submitted and approved by the general meeting on the 25 May 2020.

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**Jørgen Skjødt**

Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance EUR 146.940 means the amount of EUR 146,940, and that 23,5 % means 23.5 %.

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## Management's report

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The management have today presented the annual report of K/S Mecura Hannover City for the financial year 1 January to 31 December 2019.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Kastrup, 25 May 2020

### Board of directors

Thomas Kjærgaard

Frank Werner Nielsen

Bjarke Gohr Jensen

## **Independent auditor's report**

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**To the limited partners of K/S Mecura Hannover City**

### **Auditor's report on the annual accounts**

#### **Opinion**

We have audited the annual accounts of K/S Mecura Hannover City for the financial year 1 January to 31 December 2019, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

Without modifying our opinion we refer to note 1, where the Management explains uncertainty in the recognition and measurement of the property.

#### **The management's responsibilities for the annual accounts**

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

## Independent auditor's report

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### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the 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 annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

## Independent auditor's report

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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 the internal control that we identify during our audit.

### Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

### Emphasis of matter

Without modifying our opinion we refer to note 1, where the Management explains uncertainty in the recognition and measurement of the property. Our opinion is not modified in respect of this matter.

Copenhagen, 25 May 2020

### Redmark

State Authorised Public Accountants  
Company reg. no. 29 44 27 89

Henrik Juul Thomsen

State Authorised Public Accountant  
mne33734

## Company information

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<b>The company</b>	K/S Mecura Hannover City c/o Damborg Astridsvej 20 2770 Kastrup
	Company reg. no. 29 85 26 69 Established: 4 September 2006 Domicile: Tårnby Financial year: 1 January - 31 December
<b>Board of directors</b>	Thomas Kjærgaard Frank Werner Nielsen Bjarke Gohr Jensen
<b>General partner</b>	Komplementarselskabet Mecura Hannover City ApS Astridsvej 20 2770 Kastrup CVR-nr. 29 84 19 93
<b>Auditors</b>	Redmark Statsautoriseret Revisionspartnerselskab Dirch Passers Allé 76 2000 Frederiksberg

## Management commentary

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### **The principal activities of the company**

The activities of the limited partnership comprise owning and leasing the business property acquired in 2006 and situated at Wöhlerstrasse 48, Hannover, Germany.

The limited partnership consists of 100 shares distributed among 8 limited partners.

### **Uncertainties as to recognition or measurement**

The property is measured in accordance with the principles applied under accounting policies. The value is determined based on Managements estimate described further in note 1.

### **Development in activities and financial matters**

The net turnover for the year is EUR 166.049 against EUR 164.256 last year. The results from ordinary activities after tax are EUR 30.858 against EUR 11.034 last year. The management consider the results satisfactory.

### **Special risks**

#### *Credit risks*

The limited partnership's Management is still seeking to obtain offers for alternative financing, as Sydbank informed the limited partnership in 2008 that financing of foreign property was outside the bank's strategic focus.

However, Sydbank has entered into loan agreements with repayment falling due after one year. Based on dialogue with the bank, extended finance is expected to be agreed.

### **Basis of earnings**

#### **Rent agreement**

The main lessee has in 2014 informed that they wanted to use their 5-year option and extended the lease with 5 years valid until 31 August 2019. In February 2019 the main lessee extended the lease until 31 August 2022.

Accordingly, the agreement ensures that the limited partnership and Sydbank renewed the agreement to extend the banking arrangement to the effect that the repayment profile etc. can be accommodated within the limited partnership's capital resources.



## Income statement 1 January - 31 December

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All amounts in EUR.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Net turnover	166.049	164.256
Property costs	-36.095	-38.144
Other external costs	-26.867	-34.147
<b>Gross profit</b>	<b>103.087</b>	<b>91.965</b>
2 Other financial costs	-72.229	-80.931
<b>Pre-tax net profit or loss</b>	<b>30.858</b>	<b>11.034</b>
Tax on ordinary results	0	0
<b>Net profit or loss for the year</b>	<b>30.858</b>	<b>11.034</b>
 <b>Proposed appropriation of net profit:</b>		
Transferred to retained earnings	30.858	11.034
<b>Total allocations and transfers</b>	<b>30.858</b>	<b>11.034</b>

## Statement of financial position 31 December

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All amounts in EUR.

<b>Assets</b>		<u>2019</u>	<u>2018</u>
<u>Note</u>			
<b>Non-current assets</b>			
3	Investment property	<u>2.213.311</u>	<u>2.213.311</u>
	Total property, plant, and equipment	<u>2.213.311</u>	<u>2.213.311</u>
	<b>Total non-current assets</b>	<b><u>2.213.311</u></b>	<b><u>2.213.311</u></b>
<b>Current assets</b>			
	Other debtors	<u>2.221</u>	<u>9.092</u>
	Total receivables	<u>2.221</u>	<u>9.092</u>
	Available funds	<u>5.956</u>	<u>29.921</u>
	<b>Total current assets</b>	<b><u>8.177</u></b>	<b><u>39.013</u></b>
	<b>Total assets</b>	<b><u>2.221.488</u></b>	<b><u>2.252.324</u></b>

## Statement of financial position 31 December

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All amounts in EUR.

<b>Equity and liabilities</b>		<u>2019</u>	<u>2018</u>
<u>Note</u>			
<b>Equity</b>			
4	Contributed capital	1.290.251	806.062
5	Retained earnings	-411.653	-442.511
	<b>Total equity</b>	<b><u>878.598</u></b>	<b><u>363.551</u></b>
<b>Liabilities other than provisions</b>			
6	Mortgage debt	1.236.960	0
	Debt to group enterprises	<u>15.252</u>	<u>15.331</u>
	Total long term liabilities other than provisions	<u>1.252.212</u>	<u>15.331</u>
	Current portion of long term payables	62.952	1.372.274
	Bank debts	0	2.261
	Other payables	<u>27.726</u>	<u>498.907</u>
	Total short term liabilities other than provisions	<u>90.678</u>	<u>1.873.442</u>
	<b>Total liabilities other than provisions</b>	<b><u>1.342.890</u></b>	<b><u>1.888.773</u></b>
	<b>Total equity and liabilities</b>	<b><u>2.221.488</u></b>	<b><u>2.252.324</u></b>
<b>1</b>	<b>Uncertainties concerning recognition and measurement</b>		
<b>7</b>	<b>Charges and security</b>		

## Notes

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All amounts in EUR.

### 1. Uncertainties concerning recognition and measurement

The property is recognised in accordance with the principles applied under accounting policies. The value is measured based on Management's estimate and is subject to some uncertainty, as the market is still not well-functioning.

Fair value is calculated based on a discount rate of 6.5%, which results in a fair value assessment of EUR 1.9 million. Based on a specific assessment, the Company's Management has maintained the value of EUR 2.2 million as it assess that the value is the most accurate fair value.

Moreover, Management believes that the difference compared to the above-mentioned assessment lies within a reasonable deviation considering the uncertainty connected to a fair value assessment of investment properties. The EUR 2.2 million corresponds to a factor of 13,5 x the annual rent income, which the Management assess fair for the specific building located in Hannover and comparable buildings.

#### Rent agreement

The main lessee has in 2014 informed that they wanted to use their 5-year option and extended the lease with 5 years valid until 31 August 2019. In February 2019 the main lessee extended the lease until 31 August 2022. Accordingly, the agreement ensures that the limited partnership and Sydbank renewed the agreement to extend the banking arrangement to the effect that the repayment profile etc. can be accommodated within the limited partnership's capital resources.

	<u>2019</u>	<u>2018</u>
<b>2. Other financial costs</b>		
Financial costs, group enterprises	297	301
Other financial costs	<u>71.932</u>	<u>80.630</u>
	<b><u>72.229</u></b>	<b><u>80.931</u></b>
<b>3. Investment property</b>		
Cost 1 January 2019	<u>2.162.902</u>	<u>2.162.902</u>
<b>Cost 31 December 2019</b>	<b><u>2.162.902</u></b>	<b><u>2.162.902</u></b>
Fair value adjustment 1 January 2019	<u>50.409</u>	<u>50.409</u>
<b>Fair value adjustment 31 December 2019</b>	<b><u>50.409</u></b>	<b><u>50.409</u></b>
<b>Carrying amount, 31 December 2019</b>	<b><u>2.213.311</u></b>	<b><u>2.213.311</u></b>

## Notes

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All amounts in EUR.

### 3. Investment property (continued)

A determination of the return from the individual properties is based on the expected rental income from fully leased properties less expected operating costs, administration costs, and maintenance costs. The subsequent value is adjusted for recognised vacant-period lease for a reasonable period of time and expected costs of improvements and large maintenance projects, etc., plus added deposits and prepaid lease payments.

Fair value is calculated based on a discount rate of 6.5%, which results in a fair value assessment of EUR 1.9 million. Based on a specific assessment, the Company's Management has maintained the value of EUR 2.2 million as it assess that the value is the most accurate fair value.

Moreover, Management believes that the difference compared to the above-mentioned assessment lies within a reasonable deviation considering the uncertainty connected to a fair value assessment of investment properties. The EUR 2.2 million corresponds to a factor of 13,5 x the annual rent income, which the Management assess fair for the specific building located in Hannover and comparable buildings.

Compared to the previous financial year, the methods of measurement remain unchanged.

### 4. Contributed capital

Contributed capital 1 January 2019	806.062	806.062
Capital conversion	484.189	0
	<u>1.290.251</u>	<u>806.062</u>

### 5. Retained earnings

Retained earnings 1 January 2019	-442.511	-453.545
Profit or loss for the year brought forward	30.858	11.034
	<u>-411.653</u>	<u>-442.511</u>

## Notes

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All amounts in EUR.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>6. Mortgage debt</b>		
Mortgage debt in total	1.299.912	0
Share of amount due within 1 year	<u>-62.952</u>	<u>0</u>
	<b><u>1.236.960</u></b>	<b><u>0</u></b>
Share of liabilities due after 5 years	<u>948.960</u>	<u>0</u>

## 7. Charges and security

As security for mortgage debts, EUR 1,300 thousand, mortgage has been granted on land and buildings representing a book value of EUR 2,213 thousand at 31 December 2019.

## Accounting policies

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The annual report for K/S Mecura Hannover City has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from the previous year, and the annual report is presented in euro (EUR).

### Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

### Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

## Accounting policies

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Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

### Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derivatives intended as hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

Changes in the fair value of derivatives classified as, and meeting the criteria for, hedging future cash flows are recognised under other receivables or other payables and in equity.

If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts recognised in equity on a continuing basis are transferred to the income statement for the period in which the hedged item affected the income statement.

As regards any derivatives which do not meet the criteria for treatment as hedging instruments, changes in the fair value are recognised in the income statement on a continuing basis.

Changes in the fair value of derivatives used for hedging net investments in independent foreign group enterprises or associates are recognised directly in equity.

## Income statement

### Revenue

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

### Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessees.

### Other external costs

Other external costs comprise costs for administration and audit.



## Accounting policies

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### Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

### Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

## The balance sheet

### Investment property

At the first recognition, investment property is measured at cost, comprising the cost of the property and directly attached costs, if any.

Hereafter, investment properties are measured individually at an estimated fair value. The properties are measured using a return-based model, by which the expected future cash flows for the next year along with a rate of return determined by an external assessor form the basis for the fair value of the properties. Compared to the latest financial year, the method of measurement used remains unchanged.

Like other material fixed assets, except from land, investment property has a limited life financial life. The impairment taking place concurrently with the aging of the investment property is reflected in the current measuring of the investment property at fair value.

### Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

### Available funds

Available funds comprise cash at bank.

### Liabilities

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