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BERLIN KGI A/S

Gl. Torv 2, 1. 4.
5800 Nyborg
Central Business Registration
No 31171083

Annual report 2018

The Annual General Meeting adopted the annual report on 13.05.2019

Chairman of the General Meeting

Name: Jesper Kim Pedersen

Contents

Entity details

Entity
BERLIN KGI A/S
Gl. Torv 2, 1. 4.
5800 Nyborg

Central Business Registration No (CVR): 31171083
Founded: 08.01.2008
Registered in: Nyborg
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Niels Peter Nielsen, Chairman
Brian Djernes
Torben Hjort Friderichsen
Lars Melchior Kongsted Kjeldsen

Executive Board
Jesper Kim Pedersen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BERLIN KGI A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Nyborg, 03.05.2019

Executive Board

Jesper Kim Pedersen

Board of Directors

Niels Peter Nielsen Chairman	Brian Djernes	Torben Hjort Friderichsen
Lars Melchior Kongsted Kjeldsen		

Independent auditor's report

To the shareholders of BERLIN KGI A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of BERLIN KGI A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

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 these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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’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 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’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 financial statements 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 03.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Anders Flou
State Authorised Public Accountant
Identification No (MNE) mne32777

Lars Rynord
State Authorised Public Accountant
Identification No (MNE) mne28680

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	58,493	55,580	52,367	48,130	46,028
Gross profit/loss	141,075	274,928	109,378	72,197	33,623
Operating profit/loss	133,784	269,540	106,295	69,798	33,623
Net financials	(4,947)	(6,011)	(7,135)	(9,898)	(11,955)
Profit/loss for the year	107,842	216,563	83,792	49,595	17,866
Profit/loss excl minority interests	107,841	214,157	77,401	49,248	17,866
Total assets	1,177,553	1,041,150	747,216	663,526	586,160
Investments in property, plant and equipment	45,249	29,030	19,145	14,814	11,529
Equity	511,028	419,622	231,558	188,369	214,554
Equity excl minority interests	511,014	419,609	220,960	184,146	210,700
Ratios					
Gross margin (%)	241.2	494.7	208.9	150.0	73.0
Net margin (%)	184.4	389.6	160.0	103.0	38.8
Return on equity (%)	23.2	66.9	38.2	24.9	8.3
Equity ratio (%)	43.4	40.3	29.6	27.8	35.9

In 2015 there has been a change in accounting policies concerning recognition of mortgages. The comparative figures and key figures and ratios have not been changed.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests x 100}}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The purpose and activities of the Company are investment in rental properties, primarily residential properties, located in and around Berlin as well as related activities. The investments are made through German companies.

Development in activities and finances
Consolidated profit before tax amounts to DKK 128,837 thousand, and after tax the profit for the year amounts to DKK 107,842 thousand. The profit is considered very satisfactory and is positively affected by the development on the property market in Berlin.

At 31 December 2018, the group equity incl. minority interests amounts to DKK 511,028 thousand compared to total consolidated assets of DKK 1,177,553 thousand.

Outlook
A profit is expected for the next financial year at the level of or higher than in 2018 before value adjustment of properties. Moreover, the Company expects a positive value adjustment of the properties, however at a lower level than realised for 2018.

Particular risks
The Company and the Group are affected by the interest development and the general development on the property market in Berlin.

Environmental performance
The Company and the Group have no particular impact on the environment beyond what is normal for a property company/group.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue		58,493	55,580
Fair value adjustments of investment property		92,558	257,654
Other external expenses		(7,951)	(32,530)
Property costs		(2,025)	(5,776)
Gross profit/loss		**141,075**	**274,928**
Staff costs	2	(7,087)	(5,205)
Depreciation, amortisation and impairment losses	3	(204)	(183)
Operating profit/loss		**133,784**	**269,540**
Income from investments in associates		155	(426)
Other financial income	4	197	78
Other financial expenses	5	(5,299)	(5,663)
Profit/loss before tax		**128,837**	**263,529**
Tax on profit/loss for the year	6	(20,995)	(46,966)
Profit/loss for the year	7	**107,842**	**216,563**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Investment property		1,133,935	993,025
Other fixtures and fittings, tools and equipment		493	643
Property, plant and equipment	8	**1,134,428**	**993,668**
Investments in associates		0	0
Other investments		388	387
Deposits		8,652	8,847
Fixed asset investments	9	**9,040**	**9,234**
Fixed assets		**1,143,468**	**1,002,902**
Raw materials and consumables		230	155
Inventories		**230**	**155**
Trade receivables		1,595	1,931
Receivables from associates		1,737	964
Other receivables		870	974
Income tax receivable		0	8
Prepayments	11	78	116
Receivables		**4,280**	**3,993**
Cash		**29,575**	**34,100**
Current assets		**34,085**	**38,248**
Assets		**1,177,553**	**1,041,150**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		4,444	4,000
Retained earnings		506,570	415,609
Equity attributable to the Parent's owners		**511,014**	**419,609**
Share of equity attributable to minority interests		**14**	**13**
Equity		**511,028**	**419,622**
Deferred tax	12	99,533	81,564
Provisions		**99,533**	**81,564**
Mortgage debt		329,324	458,224
Deposits		8,664	8,860
Non-current liabilities other than provisions	13	**337,988**	**467,084**
Current portion of long-term liabilities other than provisions	13	209,807	20,730
Trade payables		351	6,841
Income tax payable		4,573	2,767
Other payables		11,480	40,145
Deferred income	14	2,793	2,397
Current liabilities other than provisions		**229,004**	**72,880**
Liabilities other than provisions		**566,992**	**539,964**
Equity and liabilities		**1,177,553**	**1,041,150**

Events after the balance sheet date	1
Associates	10
Contingent liabilities	16
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Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	4,000	415,609	13	419,622
Increase of capital	444	(444)	0	0
Extraordinary dividend paid	0	(17,778)	0	(17,778)
Exchange rate adjustments	0	1,342	0	1,342
Profit/loss for the year	0	107,841	1	107,842
Equity end of year	**4,444**	**506,570**	**14**	**511,028**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		133,784	269,541
Amortisation, depreciation and impairment losses		204	183
Working capital changes	15	(32,632)	26,731
Value adjustment of investment properties		(92,558)	(257,654)
Cash flow from ordinary operating activities		**8,798**	**38,801**
Financial income received		197	78
Financial expenses paid		(5,299)	(5,664)
Income taxes refunded/(paid)		(3,303)	(431)
Cash flows from operating activities		**393**	**32,784**
Acquisition etc of property, plant and equipment		(45,160)	(29,030)
Sale of property, plant and equipment		0	33
Acquisition of fixed asset investments		0	(16)
Loans		0	545
Other cash flows from investing activities		0	199
Cash flows from investing activities		**(45,160)**	**(28,269)**
Dividend paid		(17,778)	(16,000)
Dividend minority interests		0	(4,649)
Raising of and instalment on loan		57,999	25,651
Deposits		0	29
Cash flows from financing activities		**40,221**	**5,031**
Increase/decrease in cash and cash equivalents		**(4,546)**	**9,546**
Cash and cash equivalents beginning of year		34,100	27,946
Currency translation adjustments of cash and cash equivalents		21	(3,392)
Cash and cash equivalents end of year		**29,575**	**34,100**

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	6,390	4,701
Other social security costs	696	504
Other staff costs	1	0
	7,087	**5,205**
Average number of employees	**21**	**19**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	1,124	675
	1,124	**675**

	2018 DKK'000	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	204	175
Profit/loss from sale of intangible assets and property, plant and equipment	0	8
	204	**183**

	2018 DKK'000	2017 DKK'000
4. Other financial income		
Financial income from associates	18	12
Other interest income	76	66
Other financial income	103	0
	197	**78**

	2018 DKK'000	2017 DKK'000
5. Other financial expenses		
Other interest expenses	5,176	5,466
Other financial expenses	123	197
	5,299	**5,663**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
6. Tax on profit/loss for the year		
Current tax	3,301	3,659
Change in deferred tax	17,691	43,307
Adjustment concerning previous years	3	0
	20,995	**46,966**

	2018 DKK'000	2017 DKK'000
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	17,778	0
Retained earnings	90,063	214,157
Minority interests' share of profit/loss	1	2,406
	107,842	**216,563**

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	620,713	1,269
Exchange rate adjustments	1,868	5
Additions	45,197	52
Cost end of year	**667,778**	**1,326**
Revaluations beginning of year	372,312	0
Exchange rate adjustments	1,112	0
Revaluations for the year	92,733	0
Revaluations end of year	**466,157**	**0**
Depreciation and impairment losses beginning of year	0	(626)
Exchange rate adjustments	0	(3)
Depreciation for the year	0	(204)
Depreciation and impairment losses end of year	**0**	**(833)**
Carrying amount end of year	**1,133,935**	**493**

The Group’s investment properties are, cf. the description in accounting policies, measured at fair value based on an internal model estimate which are based on three calculated reference values on each property. The calculated reference values lie within a span of DKK 11m (2017: 28m) for the total property portfolio and are based on an average required rate of return of 4.75% (2017: 5.0%), a price factor of

Notes to consolidated financial statements

17.7 (2017: 16.7) and a sales price of DKK 14,257 per m2 (2017: 12,697 per m2). Building projects in progress are added to cost, respectively any lower recoverable amount.

All the Group’s 18 properties are situated in and around Berlin and are primarily residential properties. Vacany level for the portfolio is low.

An external valuer has been used for input to Management’s determination of parameters in the 3 calculated reference values.

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000
9. Fixed asset investments			
Cost beginning of year	558	387	8,847
Exchange rate adjustments	0	1	0
Disposals	0	0	(195)
Cost end of year	**558**	**388**	**8,652**
Impairment losses beginning of year	(558)	0	0
Share of profit/loss for the year	148	0	0
Investments with negative equity value depreciated over receivables	(148)	0	0
Impairment losses end of year	**(558)**	**0**	**0**
Carrying amount end of year	**0**	**388**	**8,652**

	Registered in	Equity interest %
10. Associates		
REK Berlin Apartments Management GmbH	Germany	30.0

11. Prepayments

Prepayments consist of prepaid expenses.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
12. Deferred tax		
Property, plant and equipment	99,533	81,564
	99,533	**81,564**

Changes during the year	
Beginning of year	81,564
Recognised in the income statement	17,691
Other changes	278
End of year	**99,533**

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000
13. Liabilities other than provisions			
Mortgage debt	209,807	20,730	329,324
Deposits	0	0	8,664
	209,807	**20,730**	**337,988**

14. Short-term deferred income

Deferred income consists of prepayments from lessees.

	2018 DKK'000	2017 DKK'000
15. Change in working capital		
Increase/decrease in inventories	(75)	(7)
Increase/decrease in receivables	494	(702)
Increase/decrease in trade payables etc	(33,051)	27,440
	(32,632)	**26,731**

16. Contingent liabilities

The Group has 4 investment properties located on leased land. The lease agreements run until 2058, 2062, 2063 and 2064, respectively. At the expiry of the lease agreements, the buildings are passed to the owner of the land with compensation payment according to an expert fair value assessment. There is no comitment to pay rent for plots of land.

Notes to consolidated financial statements

17. Assets charged and collateral

The Group has raised mortgage debt at a carrying amount of DKK 539,131 thousand at 31 December 2018, which is secured on investment properties at a carrying amount of DKK 1,078,703 thousand at 31 December 2018.

Deposits under fixed asset investments are held in escrow accounts and cover the deposits paid by the lessees.

As security for the Parent's interest rate swap facility with a German credit institution, subsidiaries have granted a primary property mortgage of EUR 2.5 million (DKK 18.6 million) and a secondary property mortgage of EUR 14.8 million (DKK 110.4 million). The interest rate swap facility was unused at 31.12.2018.

18. Transactions with related parties

The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2018 DKK'000	2017 DKK'000
Remuneration to the Executive Board and the Board of Directors	1,124	675
Interest (net) associates	18	12
Intercompany accounts (net) associates	1,737	964
Services - associates	6,188	2,779

19. Subsidiaries	Registered in	Corporate form	Equity interest %
Berlin KGI GmbH	Germany	GmbH	100.0

Berlin KGI GmbH owns shares in 12 German subsidiaries. The Share of ownership amounts to 92% to 100%.

Disclosures on subsidiaries have been omitted in accordance with S. 97a(4) of the Danish Financial Statements Act.

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Other external expenses		(726)	(29,639)
Gross profit/loss		**(726)**	**(29,639)**
Staff costs	2	(3,594)	(2,042)
Operating profit/loss		**(4,320)**	**(31,681)**
Income from investments in group enterprises		111,909	246,273
Income from investments in associates		148	(426)
Other financial income	3	121	24
Other financial expenses		(17)	(34)
Profit/loss before tax		**107,841**	**214,156**
Tax on profit/loss for the year		0	0
Profit/loss for the year	4	**107,841**	**214,156**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Investments in group enterprises		481,559	435,380
Investments in associates		0	0
Fixed asset investments	5	**481,559**	**435,380**
Fixed assets		**481,559**	**435,380**
Receivables from group enterprises		27,912	12,038
Receivables from associates		1,738	964
Income tax receivable		0	8
Receivables		**29,650**	**13,010**
Cash		**1,031**	**1,379**
Current assets		**30,681**	**14,389**
Assets		**512,240**	**449,769**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	6	4,444	4,000
Reserve for net revaluation according to the equity method		476,913	430,587
Retained earnings		29,648	(14,987)
Equity		**511,005**	**419,600**
Trade payables		254	949
Other payables		981	29,220
Current liabilities other than provisions		**1,235**	**30,169**
Liabilities other than provisions		**1,235**	**30,169**
Equity and liabilities		**512,240**	**449,769**

Events after the balance sheet date	1
Assets charged and collateral	7
Transactions with related parties	8

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	4,000	430,587	(14,987)	419,600
Increase of capital	444	0	(444)	0
Extraordinary dividend paid	0	0	(17,778)	(17,778)
Exchange rate adjustments	0	1,342	0	1,342
Dividends from group enterprises	0	(67,073)	67,073	0
Profit/loss for the year	0	112,057	(4,216)	107,841
Equity end of year	**4,444**	**476,913**	**29,648**	**511,005**

Notes to parent financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	3,569	1,983
Other social security costs	22	37
Other staff costs	3	22
	3,594	**2,042**
Average number of employees	**4**	**2**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Total amount for management categories	1,124	675
	1,124	**675**

	2018 DKK'000	2017 DKK'000
3. Other financial income		
Financial income arising from group enterprises	18	2
Financial income from associates	0	12
Exchange rate adjustments	103	10
	121	**24**

	2018 DKK'000	2017 DKK'000
4. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	17,778	0
Transferred to reserve for net revaluation according to the equity method	112,057	245,847
Retained earnings	(21,994)	(31,691)
	107,841	**214,156**

Notes to parent financial statements

	Invest-ments in group enterprises DKK'000	Investments in associates DKK'000
5. Fixed asset investments		
Cost beginning of year	3,880	558
Cost end of year	**3,880**	**558**
Revaluations beginning of year	431,500	0
Exchange rate adjustments	1,388	0
Share of profit/loss for the year	111,909	0
Dividend	(67,118)	0
Revaluations end of year	**477,679**	**0**
Impairment losses beginning of year	0	(558)
Share of profit/loss for the year	0	148
Investments with negative equity value depreciated over receivables	0	(148)
Impairment losses end of year	**0**	**(558)**
Carrying amount end of year	**481,559**	**0**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	Registered in	Corpo-rate form	Equity inte-rest %
Investments in associates comprise:			
REK Berlin Apartments Management GmbH	Germany	GmbH	30.0

	Number	Par value DKK'000	Nominal value DKK'000
6. Contributed capital			
A-Shares	16	250	4,000
B-Shares	444,445	0.001	444
	444,461		**4,444**

7. Assets charged and collateral

The Entity has guaranteed for the subsidiaries’ mortgages. The share of group enterprises’ mortgage debt guaranteed by the Company has a carrying amount of DKK 424.832 thousand at 31.12.2018.

Notes to parent financial statements

8. Transactions with related parties
The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2018 DKK'000	2017 DKK'000
Remuneration to the Executive Board and the Board of Directors	1,124	675
Interest (net) group enterprises	18	2
Interest (net) associates	0	12
Intercompany accounts (net) group enterprises	27,912	12,037
Intercompany accounts (net) associates	1,738	964

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for the consolidated financial statements and the parent financial statements are consistent with those applied last year, however, with a few reclassifications where the comparative figures have been restated.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

Exchange rate adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement
Revenue
Revenue from property operations includes rental income regarding letting of investment properties and related income from letting out. The lessees' contribution to cover the costs of the properties regarding heat supply and contributions to cover operating costs that eventually rest with the lessees are set off against paid costs in the balance sheet as other receivables or payables.

Fair value adjustments of investment property
Fair value adjustment of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Accounting policies

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 lessee.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

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

Other financial income
Other financial income comprises interest income, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5-7 years

Estimated useful lives and residual amounts are reassessed annually.

Other fixtures and fittings, tools and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property

On initial recognition, investment properties are recognised at cost which consists of the property's acquisition price plus any directly related acquisition costs.

After initial recognition, properties are measured at fair value, which represents the amount at which the individual property may be sold to an independent buyer.

Determination of the fair value of investment properties in Germany is based on an estimate. In making the estimate, three calculated reference values have been used for each property:

1. Fair value based on market price in proportion to rental income (price factor multiplied by rental income for one year)
2. Fair value based on market price per square metre
3. Fair value based on a yield-based calculation

Price factor in relation to annual rent and price per square metre are commonly used to express market value of properties in Germany.

The yield-based calculation is made according to principles that correspond in all material respects to comparable calculations for investment properties in Denmark, adapted to German market conditions. The calculation is based on the expected net earnings for the next year, adjusted to normal earnings and by using a required rate of return reflecting the market´s actual required rate of return for similar properties.

The value adjustments to fair value are recognised in the income statement as value adjustments of investment properties. Properties are not depreciated, as value impairments are included in the fair value adjustment.

Accounting policies

Costs incurred that provide the properties with new or improved qualities compared to the date of acquisition are added to the properties' cost as improvements.

Gains and losses on disposal of investment properties are computed as the difference between the sales price less sales costs and the cost price according to the financial statements at the date of disposal.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity.

Group enterprises with negative equity values are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates’ equity value.

Associates with a negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Other investments
Other investments comprise securities and shares measured at cost at the balance sheet date.

Inventories
Inventories consists of fuel oil for properties. Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Accounting policies

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

Mortgage debt
The mortgage debt concerning investment properties is measured at amortised cost.

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

Income tax receivable or payable
Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of

Accounting policies

enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash funds.