

## **MGM 1G ApS**

c/o Nectar Asset Management ApS  
Regnbuepladsen 5, 4.  
1550 Copenhagen V, Denmark  
CVR-No. 31 17 98 15

## **Financial Statements**

For the period 1 January – 31 December 2016  
(12 months)  
9th financial year

Adopted at the Annual General Meeting of shareholders  
on 31 / 5 2017



Chairman  
**Henrik Groos**

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## **Company details**

MGM 1G ApS  
c/o Nectar Asset Management ApS  
Regnbuepladsen 5, 4.  
1550 Copenhagen V, Denmark

## **Supervisory Board**

Tommas Jakobsen, Chairman  
Charles Sherratt-Davies, Vice chairman

## **Executive Board**

Tommas Jakobsen  
Charles Sherratt-Davies

## **Shareholders holding 5% or more of the share capital or the voting rights**

MGM 1 S.à r.l., 6, Rue Eugène Ruppert, L-2453 Luxembourg

## **Ultimate parent company**

Melf S.à r.l., 6, Rue Eugène Ruppert, L-2453 Luxembourg

## **Auditors**

Ernst & Young Godkendt Revisionspartnerselskab  
Osvald Helmuths Vej 4, 2000 Frederiksberg, Denmark

## Statement by the Supervisory and Executive Boards on the Financial Statements

The Supervisory and Executive Boards have presented the Financial Statements for the year ended 31 December 2016. The Financial Statements were discussed and adopted on today's date.

The Financial Statements have been presented in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for financial statements.

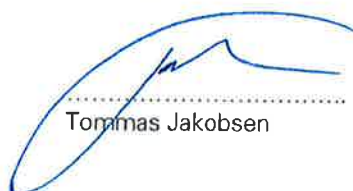
We consider that the accounting policies used are appropriate and the accounting estimates made are reasonable. To the best of our belief, the Financial Statements include the information which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Financial Statements give a true and fair view of the Company's assets and liabilities, financial position, and results of operations and cash flow for the year ended 31 December 2016.

We believe that the Management's Review contains a fair review of the affairs and conditions referred to therein.

We recommend that the Financial Statements be adopted by the Annual General Meeting of shareholders.

Copenhagen, 16.05.2017

Executive Board

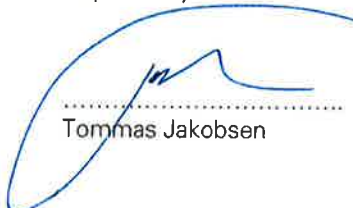


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Tommas Jakobsen



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Charles Sherratt-Davies

Supervisory Board



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Tommas Jakobsen



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Charles Sherratt-Davies

## **Independent auditor's report**

### **To the shareholders of MGM 1G ApS**

#### **Opinion**

We have audited the financial statements of MGM 1G ApS for the financial year 1 January – 31 December 2016, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

#### **Basis for opinion**

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

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

Management is responsible for the Management's review.

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

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

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

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

#### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Independent auditor's report**

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

## **Independent auditor's report**

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.

Copenhagen, 16 May 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Kaare K. Lendorf  
State Authorised  
Public Accountant

## Financial Highlights

### 5-year summary

	2016	2015	2014	2013	2012
	EUR	EUR	EUR	EUR	EUR
<b>Key figures (in EUR, except per share data)</b>					
<b>Statement of comprehensive income</b>					
Revenue	1,099,005	1,142,781	1,342,440	1,827,183	1,840,191
Gross profit	818,895	946,465	1,106,576	1,565,742	1,590,676
Profit before net financials (EBIT)	1,094,321	1,301,237	1,313,816	618,820	1,065,298
Net financials	-350,606	-520,618	-818,195	-1,125,088	-1,314,341
Total comprehensive (expense)/income for the year	657,092	768,845	495,506	-506,272	-249,128
<b>Statement of financial position</b>					
Total assets	12,845,357	12,657,628	11,802,686	21,395,952	22,154,588
Shareholders' equity	-146,992	-804,083	-1,572,927	-3,068,433	-2,313,032
<b>Other</b>					
Number of employees	0	0	0	0	0
<b>Ration in %</b>					
Rate of return	8.52%	10.28%	11.13%	2.89%	4.84%
(Profit/loss before net financials x 100/total assets)					
Equity ratio	-1.14%	-6.35%	-13.33%	-14.34%	-11.65%
(Shareholders' equity x 100/total assets)					

Financial highlights are prepared in accordance with International Financial Standards, cf. Note 1 "Accounting policies".

Ratios are computed in accordance with Guidelines and Financial ratios issued by the Danish Society of Financial Analysts in 2010.



## **Managements Review**

### **Business activities and mission**

The Company's main objective is property investment.

### **Business review**

The Company recorded rental income of EUR 956,279 for the year ended 31 December 2016 (2015: EUR 1,048,291).

The Company's investment properties are recorded at fair value and has been valued at EUR 12,458,396 (2015: EUR 12,081,636).

### **Recognition and measurement uncertainties**

The Company's investment properties are recognised in the financial statements at market value based on an internal return based assessment model. This model contains an estimate of the property's future return and the expected return requirement. The property's future returns are estimated based on existing leases and experience.

### **Going concern**

The Company has lost its share capital but expects to be able to restore it through future earnings. The parent company, Melf S.à r.l., has issued a subordination letter for a 12-month period from the signing date of the financial statements, covering all the loans they have provided to the Company. Therefore the company will be able to serve all current financing.

During the year the Company had a net cash outflow of EUR -140,132 and cash at bank at the balance sheet date of EUR 344,622.

Management closely monitors the cash requirements of the Company and works with its advisors to forecast and manage liquidity requirements over the life of its investment activities. Management has reviewed the forecasted cash flows and is confident that there are no liquidity issues and that the Company will continue to meet its liabilities as they fall due.

### **Financial position**

The result for the year is as expected.

### **Future developments**

The Company expects a result for next year, before adjustment on property valuations, on par with that reported in 2016.

### **Subsequent events**

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

## MGM 1G ApS, Copenhagen

### Statement of profit or loss and other comprehensive income

for the year from 1 January to 31 December 2016

	Notes	2016	2015
		EUR	EUR
Revenue	4	1,099,005	1,142,781
Expenses related to rental activity		-280,110	-196,316
<b>Gross profit</b>		<b>818,895</b>	<b>946,465</b>
Fair value adjustment	5	354,562	439,153
Profit/(Loss) on disposal of investment property		0	0
Other external expenses		-79,136	-82,742
Other gains/(losses)		0	-1,639
<b>Profit before net financial result</b>		<b>1,094,321</b>	<b>1,301,237</b>
Other financial income		0	0
Other financial expenses	6	-350,606	-520,618
<b>Profit before tax from continuing operations</b>		<b>743,715</b>	<b>780,619</b>
Tax of continuing operations for the year	7	0	-1,307
Deferred taxes	7	-86,623	-10,467
<b>Net profit for the year</b>		<b>657,092</b>	<b>768,845</b>
<b>Total comprehensive income for the year</b>		<b>657,092</b>	<b>768,845</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the company		<b>657,092</b>	<b>768,845</b>

# MGM 1G ApS, Copenhagen

## Statement of financial position

as of 31 December 2016

### Assets

	Notes	2016	2015
		EUR	EUR
<b>A. Non-current assets</b>			
I. Investment property	8	12,458,396	12,081,636
Total non-current assets		12,458,396	12,081,636
<b>B. Current Assets</b>			
I. Receivables			
1. Trade receivables		41,581	22,446
2. Receivables from group enterprises	12	758	369
3. Other receivables		0	68,423
Total receivables		42,339	91,238
II. Cash		344,622	484,754
Total current assets		386,961	575,992
<b>Total assets</b>		<b>12,845,357</b>	<b>12,657,628</b>

## Equity and liabilities

	Notes	2016	2015
		EUR	EUR
<b>A. Shareholders' equity</b>			
I. Share capital		203,169	203,169
II. Retained earnings/accumulated loss		-350,161	-1,007,252
III. Other components of equity		0	0
<b>Total shareholders' equity</b>		<b>-146,992</b>	<b>-804,083</b>
<b>B. Non-current liabilities</b>			
I. Loans and borrowings		5,837,491	0
II. Payables to group enterprises	12	4,579,472	0
III. Deferred tax liability	7	97,090	10,467
<b>Total non-current liabilities</b>		<b>10,514,053</b>	<b>10,467</b>
<b>C. Current liabilities</b>			
I. Current portion of non-current liabilities	9	251,760	4,784,828
II. Derivative financial instruments		0	0
III. Trade payables		9,665	23,491
IV. Payables to group enterprises	12	2,171,794	8,600,362
V. Income taxes payables		1,310	1,310
VI. Other payables		3,385	0
VII. Accruals		40,383	41,253
<b>Total current liabilities</b>		<b>2,478,297</b>	<b>13,451,244</b>
<b>Total liabilities</b>		<b>12,992,349</b>	<b>13,461,711</b>
<b>Total equity and liabilities</b>		<b>12,845,357</b>	<b>12,657,628</b>

# MGM 1G ApS, Copenhagen

## Statement of cash flows

	2016	2015
	EUR	EUR
<b>Profit before net financial result</b>	1,094,321	1,301,237
Fair value adjustments, non-current assets	-354,562	-439,153
Loss on disposal of investment property	0	0
Taxes refunded/(paid)	0	-1,307
Lease incentives and leasing costs	0	0
<b>Changes in:</b>		
Trade and other receivables	48,899	-40,070
Current liabilities	-11,311	-82,028
Financial income	0	0
Financial expenses	-350,607	-520,619
Lease incentives	-22,198	-21,483
<b>Cash flows from operating activities</b>	<b>404,542</b>	<b>196,577</b>
Disposals of investment property	0	0
Repayments of receivables from group enterprises	0	0
<b>Cash flows from investing activities</b>	<b>0</b>	<b>0</b>
Repayment of Berlin Hyp Loan	-4,793,200	0
Receipt from Postbank	6,294,000	0
Repayment of Postbank loan	-129,017	0
Repayments (acceptance) on current liabilities	-1,916,457	157,659
<b>Cash flows from financing activities</b>	<b>-544,674</b>	<b>157,659</b>
<b>Net cash flow for the year</b>	<b>-140,132</b>	<b>354,236</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at 1 January	484,754	130,518
Net cash flow for the year	-140,132	354,236
<b>Cash and cash equivalents at 31 December</b>	<b>344,622</b>	<b>484,754</b>

## MGM 1G ApS, Copenhagen

### Statement of changes in equity

	Share capital	Retained earnings/ Accumulated loss	Total
	EUR	EUR	EUR
<b>Shareholders' equity at 1 January 2015</b>	203,169	-1,776,097	-1,572,928
Profit and loss	0	768,845	768,845
Other comprehensive income	0	0	0
<b>Total equity at 31 December 2015</b>	203,169	-1,007,252	-804,083
<b>Shareholders' equity at 1 January 2016</b>	203,169	-1,007,252	-804,083
Profit and loss	0	657,092	657,092
<b>Total equity at 31 December 2016</b>	<b>203,169</b>	<b>-350,161</b>	<b>-146,992</b>

# MGM 1G ApS, Copenhagen

## Notes

### Note 1 Accounting policies

The financial statements of MGM 1G ApS have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for financial statements, as laid down in the IFRS order issued in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The financial statements are presented in Euros (EUR).

The accounting policies for these financial statements are consistent with those applied last year.

#### New and revised standards and bases for conclusion

The adoption of the new and amended IFRS and IFRIC interpretations has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

#### New and revised standards and bases for conclusion which have yet to take effect

The IASB and IFRIC have issued a number of standards and interpretations with an effective date during or after the date of these financial statements:

<b>IASB/IFRIC documents endorsed</b>	<b>Effective date</b>
<b>Name</b>	<b>Annual periods beginning on or after</b>
Amendments to IAS 1	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018

<b>IASB/IFRIC documents not yet endorsed</b>	<b>Effective date</b>
<b>Name</b>	<b>Annual periods beginning on or after</b>
IFRS 16: Leases	1 January 2019
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendment to IFRS 15: Clarifications to IFRS 15	1 January 2018
Amendments to IAS 7: Disclosure Initiative	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendment to IAS 40: Transfers of Investment Property	1 January 2018

The directors do not expect that the adoption of these Standards and Interpretations will have material impact on the financial statements of the Company in future periods.

## Statement of profit and loss and other comprehensive income

### Revenue

Rental income receivable from operating leases is recognised on a straight line basis over the term of the lease, except for contingent rental income, which is recognised as earned.

Costs relating to incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the lessee has the option to continue the lease, where, at the inception of the lease, the Management is reasonably certain that the lessee will exercise that option.

Amounts received from lessees to terminate leases or to compensate for dilapidations are recognised in the income statement as received. Service charges and expenses recoverable from tenants.

Income arising from expenses recharged to lessees is recognised in the period in which the expenses can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue when the Management considers that the entity acts as principal and net when the Management considers that the entity acts as agent.

### Other external expenses

Other external expenses comprise of administrative expenses incurred.

### Net financial result

Financial income and expenses are recognised in the statement of profit and loss and other comprehensive income in the reporting period they relate to. Net financials include interest income and expenses, realised capital and exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the period that concerns the changes in equity.

Deferred taxes related to items recognised directly in equity are taken directly to equity.

The Company and all Danish group enterprises are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation method).

## Statement of financial position

### Investment property

Investment property is property held on a long-term basis with the purpose of earning rental income and increases in value and which are not held for sale.



Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value based on an internal return based assessment model. The model used is a discounted cash flow model with a five year forecast.

The market value is the estimated amount for which a property is expected to be exchanged between willing parties, at the date of valuation, in an arm's length transaction in which the parties act knowledgeably, prudently and voluntarily.

Fair value adjustments are recognised in a separate line item in the statement of profit and loss and other comprehensive income.

### Receivables

Receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses relating to subsequent reporting periods.

### Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with an original maturity of less than three months.

### Income taxes

Current tax charges are recognised in the statement of financial position as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior-year taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 15.825 % of all temporary differences between carrying amounts and tax bases, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

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

### Financial liabilities

Financial liabilities are recognised at initial recognition measured at fair value of transaction costs incurred upon the raising of the loan. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Held for trading assets or liabilities are measured at fair value with gains and losses through profit or loss. The Company does not apply hedge accounting.

### Deferred income

Deferred income is recognised as a liability and comprises of payments received for income relating to subsequent reporting periods.

## Statement of cash flows

The cash flow statement shows the company's net cash flows, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid financial and extraordinary expenses and paid income taxes.

Cash flow from investing activities comprise payments related to additions and disposals of fixed assets as well as the provision intercompany loans.

Cash flow from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risk of changes in value is insignificant.

## Note 2 Going concern

These financial statements have been prepared on going concern basis.

The Company has lost its share capital but expects to be able to restore it through future earnings. The parent company, Melf S.à r.l., has issued a subordination letter for a twelve-month period from the signing date of the financial statements, covering all the loans they have provided to the Company. Therefore the company will be able to serve all current financing.

Management closely monitors the cash requirements of the Company and works with its advisors to forecast and manage liquidity requirements over the life of its investment activities. Management has reviewed the forecasted cash flows and is confident that there are no liquidity issues and that the Company will continue to meet its liabilities as they fall due.

## Note 3 Assumptions and estimates

For purposes of the preparation of the financial statements, it is necessary that management prepares accounting estimates affecting the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from the estimates made.

The Company's investment properties are recognised in the financial statements at market value based on an internal return based assessment model. This model contains an estimate of the property's future return and the expected return requirement. The property's future returns are estimated based on existing leases and experience.

The return requirements applied for 2016 are 7.20 % (2015: 7.20 %).

The other significant assumptions utilised in calculating the market value of investment properties are:

- Inflation of 1.5% per annum;
- Rental income linked to CPI (adjustment on movement of 10% in the index)
- Value of the terminal period at 31 December 2016 is EUR 15,2m.

## Sensitivity analysis – Discount rate

As a result of the valuation methodology adopted, the value of the real estate assets is sensitive to movements in the market derived capitalisation rate (Gross Yield: 12.80) and contracted rental income.

Sensitivity analysis has been completed to seek to quantify the risk associated with an increase in Gross Yield or reduction in the value of rent attributable to the assets.

Discount rate	6.2%	6.7%	7.2%	7.7%	8.2%
<b>GRI Multiplier</b>					
-1.00	13,777,033	13,588,794	13,403,980	13,222,515	13,044,323
-0.50	13,303,418	13,121,619	12,943,129	12,767,873	12,595,777
	12,829,802	12,654,443	<b>12,458,396</b>	12,313,230	12,147,232
0.50	12,356,186	12,187,268	12,021,425	11,858,588	11,698,687
1.00	11,882,571	11,720,093	11,560,574	11,403,945	11,250,142

## Fair value

The Company measures certain non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised costs are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Note 4 Rental and related income

	2016	2015
	EUR	EUR
Rental income	956,279	1,048,291
Service charge income	63,529	91,257
Other property income	79,196	3,233
<b>Revenue</b>	<b>1,099,005</b>	<b>1,142,781</b>

Rental and related income fully relates to rent attributable to the year ended 31 December 2016. Spaces are leased out under lease agreements of various expiry terms. Lease agreements specify the rent, the rights and obligations of the lessor and the lessee, including notice and renewal options, as well as service and operating cost charges.

The Company leases out all of its investment properties under operating leases which are non-cancellable and have average lease terms of 3.7 years (2015: 6.38 years). The Company's leases typically include a clause either to enable upward revision of the rental charge on an annual basis based on a fixed annual uplift, inflation or local equivalent.

Future minimum rental receivables under non-cancellable operating leases as at 31 December 2016, analysed by the period in which they fall due are as follows:

	2016	2015
	EUR	EUR
First year	934,853	991,943
Second up to and including fourth year	2,601,064	2,253,686
Fifth and subsequent years	2,312,873	2,510,485
	<b>5,848,790</b>	<b>5,756,114</b>

#### Note 5 Fair value adjustment

	2016	2015
	EUR	EUR
<b>Fair value adjustment of property</b>	<b>354,562</b>	<b>439,153</b>

#### Note 6 Other financial expenses

	2016	2015
	EUR	EUR
Interest payable, group enterprises	296,442	456,808
Interest payable, exchange losses and similar expenses	54,162	63,810
	<b>350,604</b>	<b>520,618</b>

## Note 7 Income taxes

Tax for the year	2016	2015
	EUR	EUR
Current income tax charge	0	1,307
Deferred income tax	86,623	10,467
<b>Total tax for the year</b>	<b>86,623</b>	<b>11,774</b>

Reconciliation of effective tax rate	2016	2015
	EUR	EUR
Profit before tax	743,715	780,619
Expected tax rate	22%	23,5%
Expected effort for income tax	-163,617	-183,445
Tax	-86,623	-11,774
Deviation of foreign tax rates from expected tax rate	45,924	59,913
Changes of temporary differences for which no deferred tax asset is recognised	31,070	111,759
Other effects	0	0
<b>Effective income tax</b>	<b>86,623</b>	<b>11,774</b>

Breakdown of deferred tax liabilities	2016	2015
	EUR	EUR
Investment property	118,356	10,467
Financial instruments	11,985	0
Set-off	-33,251	0
<b>Total deferred tax liabilities</b>	<b>97,089</b>	<b>10,467</b>

Breakdown of deferred tax assets	2016	2015
	EUR	EUR
Tax losses carried forward	33,251	34,556
thereof unrecognised	0	-34,556
Set-off	-33,251	0
<b>Total deferred tax assets</b>	<b>0</b>	<b>0</b>

The company has tax loss carry forwards amounting to EUR 210,118 (2015: EUR 218,366). Deferred tax assets have been recognised to the extent that it is probable that future taxable profit will be available against which the Company can use the benefit therefrom.

## Note 8 Investment property

Cost at 31/12/2016	Investment property
	EUR
<b>Balance at 1/1/2016</b>	<b>14,167,944</b>
<b>Lease incentives and leasing costs</b>	<b>-2,801</b>
<b>Capital expenditures</b>	<b>25,000</b>
<b>Balance at 31/12/2016</b>	<b>14,190,143</b>

Value adjustment	Investment property
	EUR
Balance at 1/1/2016	-2,086,308
Value adjustments in the year	354,562
<b>Write-downs at 31/12/2016</b>	<b>-1,731,746</b>
<b>Carrying amount at 31/12/2016</b>	<b>12,458,397</b>

Cost at 31/12/2015	Investment property
	EUR
Balance at 1/1/2015	14,146,461
Lease incentives and leasing costs	21,483
<b>Balance at 31/12/2015</b>	<b>14,167,944</b>

Value adjustment	Investment property
	EUR
Balance at 1/1/2015	-2,525,461
Value adjustments in the year	439,153
<b>Write-downs at 31/12/2015</b>	<b>-2,086,308</b>
<b>Carrying amount at 31/12/2015</b>	<b>12,081,636</b>

## Fair value hierarchy

The following table shows an analysis of the fair value of investment property recognised in the statement of financial position by level of the fair value hierarchy<sup>1</sup>.

As at 31 December 2016	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
<b>Investment property</b>	<b>0</b>	<b>0</b>	<b>12,458,396</b>	<b>12,458,396</b>

As at 31 December 2015	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
<b>Investment property</b>	<b>0</b>	<b>0</b>	<b>12,081,636</b>	<b>12,081,636</b>

## Note 9 Payables to bank and credit institutions

Breakdown of payables to bank and credit institutions in the financial position	2016	2015
	EUR	EUR
Non-current liabilities	5,837,491	0
Current liabilities	251,760	4,784,828
<b>Carrying amount at 31 December</b>	<b>6,089,251</b>	<b>4,784,828</b>

Payables to bank and credit institutions fall due for payments as follows	2016	2015
	EUR	EUR
Within 1 year	251,760	4,784,828
Between 1 to 5 years	5,837,491	0
Over 5 years	0	0
<b>Carrying amount at 31 December</b>	<b>6,089,251</b>	<b>4,784,828</b>

In 2016, the Company has refinanced its former bank loan with Berlin-Hannoversche Hypothekenbank AG. The new bank loan has been agreed with Postbank AG.

<sup>1</sup> See note 3 for the explanation of the fair value hierarchy.

## Note 10 Financial risks and financial instruments

### Foreign exchange risks

As the Company's income and costs are primarily in its reporting currency, EUR, the Company is not exposed to any significant currency risks.

### Interest rate risks

The Company is exposed to interest rate risks relating to fluctuations in interest levels in Euroland and Denmark due to balances held at the bank. The primary exposure is related to Euribor and Libor.

The Company limits interest rate risk by taking out only fixed rate loans.

### Credit risk

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, with the result that the Company's exposure to bad debts is minimised. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from any default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risks arising from operating activities relate mainly to the non-payment of rentals by tenants of the properties held by the Company. Credit risks related to the placement of liquid funds (counterparty credit risks) are minimised by making agreements only with the most reputable domestic and international banks and financial institutions.

### Capital management

The primary objective of the Company's capital management is to ensure it remains within its quantitative banking covenants and maintains a strong credit rating.

The Company monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding bank debt divided by the valuation of the investment property. The Company's policy is to keep the average loan to value ratio of the Company lower than 50 %.

During the period the Company did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The loans are also covered by the letter of support provided by the parent company.<sup>2</sup>

	2016	2015
	EUR	EUR
Carrying amount of bank loans	6,089,251	4,784,828
<b>Principal amount of bank loans</b>	<b>6,089,251</b>	<b>4,784,828</b>
Valuation of investment property	12,458,396	12,081,636
Loan to value ratio	49 %	40 %

<sup>2</sup> See note 2.



## Liquidity risks

It is the Company's strategy to reduce the liquidity risk by taking out long-term interest-only loans.

The Company monitors its risk to a shortage of funds using cash flow forecasting techniques focused on the maturity profile of its debt commitments, operational cash flow and capital expenditure.

The financial liabilities are also covered by the letter of support provided by the parent company<sup>3</sup>.

The subsequent table summarises the maturity profile of the Company's financial liabilities as at 31 December based on contractual undiscounted payments.

At 31 December 2016	On demand	less than 1 year	1 to 5 years	> 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Secured bank loans	0	251,760	5,837,491	0	6,089,251
Payables to group enterprises	0	2,171,794	4,579,472	0	6,751,266
Trade and other payables	0	14,359	0	0	14,359
Accruals	0	40,383	0	0	40,383
	<b>0</b>	<b>2,478,296</b>	<b>10,416,963</b>	<b>0</b>	<b>12,895,258</b>

At 31 December 2015	On demand	less than 1 year	1 to 5 years	> 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Current portion of non-current liabilities	0	4,784,828	0	0	4,784,828
Payables to group enterprises	0	8,600,362	0	0	8,600,362
Trade and other payables	0	24,801	0	0	24,801
Accruals	0	41,253	0	0	41,253
	<b>0</b>	<b>13,451,244</b>	<b>0</b>	<b>0</b>	<b>13,451,244</b>

## Fair values

A comparison of the carrying value of financial instruments included in the Company's financial statements to their fair value is included below by class of instrument.

The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash, trade and other receivables, and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.

The fair value of mortgage debt is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. The fair value approximates their carrying amounts gross of unamortised transaction costs (level 2 fair value hierarchy).

The fair value of payables to group enterprises is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

<sup>3</sup> See note 2.

Financial assets	2016	
	Carrying amount	Fair value
	EUR	EUR
Trade and other receivables	41,581	41,581
Receivables from group enterprises	758	758
Cash	344,622	344,622
<b>Loans and receivables</b>	<b>386,962</b>	<b>386,962</b>

Financial liabilities	2016	
	Carrying amount	Fair value
	EUR	EUR
Secured bank loans	6,089,251	6,164,983
Payables to group enterprises	2,171,794	2,171,794
Trade and other payables	14,359	14,359
Accruals	40,383	40,383
<b>Financial liabilities held at amortised cost</b>	<b>8,315,786</b>	<b>8,391,519</b>

## Note 11 Security for loans

The following assets have been put up as security of the Company's debt:

Mortgage debt EUR 6,164,983	2016		2015	
		EUR		EUR
<b>Investment property carrying amount</b>		<b>12,458,396</b>		<b>12,081,636</b>

The Company guarantees the obligations under the Postbank AG credit agreement with the subsidiaries of this parent company, MGM 1 S.à.r.l..

Some of the Company's bank accounts are pledged with Postbank AG, the amount held in these bank accounts as of 31 December 2016 amounted to EUR 318,415 (2015 with Berlin-Hannoversche Hypothekenbank AG: EUR 465,451).

## Note 12 Related parties

Tommas Jakobsen and Charles Sherratt-Davies are members of the Supervisory Board of MGM 1G ApS.

None of the directors were paid by MGM 1G ApS in the year. The Directors are employed by Nectar Asset Management ApS, which renders management services to MGM 1G ApS. The amount charged by Nectar Asset Management ApS in the year to 31 December 2016 for services rendered was EUR 3,382 (2015: Hestia Danmark ApS EUR 3,150).

The Company does not have any employees.

The parent company, Melf S.à r.l., has issued a subordination letter for a 12-month period from the signing date of the financial statements, covering all the loans they have provided to the Company. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Balances with group enterprises:

	Principal Amount	Balance outstanding 31 Dec 2016	Rate of interest	Maturity
	EUR	EUR	%	
Payable fall due for payment within 5 years:				
<b>MELF S.à r.l.</b>	<b>4,579,472</b>	<b>4,579,472</b>	<b>9.30%</b>	<b>31 Dec 2021</b>
Payable fall due for payment within 1 year:				
<b>MGM 1E ApS</b>	<b>9,378</b>	<b>9,378</b>	<b>0%</b>	<b>On demand</b>
<b>GRP 1A ApS</b>	<b>40</b>	<b>40</b>	<b>0%</b>	<b>On demand</b>
<b>MELF S.à r.l.</b>	<b>2,162,376</b>	<b>2,162,376</b>	<b>0%</b>	<b>21 Jun 2017</b>
Receivables:				
<b>MGM 1A ApS</b>	<b>369</b>	<b>369</b>	<b>0%</b>	<b>On demand</b>
<b>MGM 1H ApS</b>	<b>389</b>	<b>389</b>	<b>0%</b>	<b>On demand</b>

### Note 13 Subsequent events

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

### Note 14 Comparative figures

Some comparative figures have been changed for presentational purposes only. The changes made have had no effect on either profit or loss.