## MGM 1C ApS

c/o Nectar Asset Management ApS
Regnbuepladsen 5, 4.
1550 Copenhagen V, Denmark
CVR-No. 31 27 23 78

# Financial Statements

For the period 1 January – 31 December 2017
(12 months)
10th financial year

Adopted at the Annual General Meeting of shareholders
on 4/6 2018

Chairman

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Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

# Company details

## MGM 1C 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

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

The Supervisory and Executive Boards have presented the Financial Statements of MGM 1C (in the following "the Company") for the year ended 31 December 2017. 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 2017.

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, 30.05.2018

Executive Board

Tommas Jakobsen

Charles Sherratt-Davies

Supervisory Board

Tommas Jakobsen

Charles Sherratt-Davies

# Financial highlights

## 5-year summary

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| **Key figures (in EUR, expect per share data)** | | | | | |
| **Statement of comprehensive income** | | | | | |
| Revenue | 921,823 | 994,583 | 900,979 | 891,816 | 958,317 |
| Gross profit | 636,594 | 625,493 | 668,673 | 626,723 | 721,099 |
| Profit before net financials (EBIT) | 324,527 | 1,388,634 | 295,060 | -1,301,870 | -127,912 |
| Net financials | -295,936 | -322,091 | -440,598 | -535,190 | -521,983 |
| Total comprehensive (expense)/income for the year | 28,591 | 1,066,543 | -145,538 | -1,837,239 | -649,827 |
| **Statement of financial position** | | | | | |
| Total assets | 7,646,760 | 7,957,800 | 7,368,117 | 7,279,643 | 9,473,348 |
| Shareholders' equity | -3,023,568 | -3,052,159 | -4,118,702 | -3,973,164 | -3,135,925 |
| **Other** | | | | | |
| Number of employees | 0 | 0 | 0 | 0 | 0 |
| **Ration in %** | | | | | |
| Rate of return (Profit/loss before net financials x 100/total assets) | 4.24% | 17.45% | 4.00% | -17.88% | -1.35% |
| Equity ratio (Shareholders' equity x 100/total assets) | -39.54% | -38.35% | -55.90% | -54.58% | -33.10% |

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

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

# Management's review

## Business activities and mission

The Company's main objective is property investment.

## Business review

The Company recorded rental income of EUR 821,797 for the year ended 31 December 2017 (2016: EUR 783,495).

The Company's investment properties are recorded at fair value and have been valued at EUR 7,471,223 (2016: EUR 7,748,430).

## 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 -17,047 and cash at bank at the balance sheet date of EUR 104,992.

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 2017.

## Subsequent events

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

# Statement of profit or loss and other comprehensive income

| | Notes | 1.1.2017 – 31.12.2017 | 1.1.2016 – 31.12.2016 |
|---|---|---|---|
| | | EUR | EUR |
| Revenue | 4 | 921,823 | 994,583 |
| Expenses related to rental activity | | -285,229 | -369,090 |
| **Gross profit** | | **636,594** | **625,493** |
| Fair value adjustment | 5 | -287,655 | 820,598 |
| Other external expenses | | -24,412 | -57,457 |
| **Profit before net financial result** | | **324,527** | **1,388,634** |
| Other financial expenses | 6 | -295,936 | -322,091 |
| **Profit/(Loss) before tax** | | **28,591** | **1,066,543** |
| **Net profit/(loss) for the year** | | **28,591** | **1,066,543** |
| **Total comprehensive income for the year** | | **28,591** | **1,066,543** |
| **Total comprehensive income for the year attributable to: Equity holders of the company** | | **28,591** | **1,066,543** |

# Statement of financial position

| Assets | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| | | EUR | EUR |
| **A. Non-current assets** | | | |
| I. Investment property | 8 | 7,471,223 | 7,748,430 |
| **Total non-current assets** | | **7,471,223** | **7,748,430** |
| **B. Current assets** | | | |
| I. Receivables | | | |
| 1. Trade receivables | | 70,184 | 86,970 |
| 2. Receivables from group enterprises | 12 | 361 | 361 |
| **Total receivables** | | **70,545** | **87,331** |
| II. Cash | | 104,992 | 122,039 |
| **Total current assets** | | **175,536** | **209,369** |
| **Total assets** | | **7,646,760** | **7,957,800** |

| Equity and liabilities | Notes | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| | | EUR | EUR |
| **A. Shareholders' equity** | | | |
| I. Share capital | | 267,337 | 267,337 |
| II. Retained earnings/accumulated loss | | -3,290,905 | -3,319,496 |
| **Total shareholders' equity** | | **-3,023,568** | **-3,052,159** |
| **B. Non-current liabilities** | | | |
| I. Loans and borrowings | 9 | 4,168,159 | 4,347,149 |
| II. Payables to group enterprises | 12 | 1,562,457 | 1,562,457 |
| **Total non-current liabilities** | | **5,730,616** | **5,909,606** |
| **C. Non-current liabilities** | | | |
| I. Current portion of non-current liabilities | 9 | 187,805 | 187,560 |
| II. Trade payables | | 33,020 | 14,327 |
| III. Payables to group enterprises | 12 | 4,673,856 | 4,866,597 |
| IV. Other payables | | 11,195 | -6,448 |
| V. Accruals | | 33,835 | 38,317 |
| **Total current liabilities** | | **4,939,712** | **5,100,353** |
| **Total liabilities** | | **10,670,328** | **11,009,959** |
| **Total equity and liabilities** | | **7,646,760** | **7,957,800** |

# Statement of cash flows

| Assets | 31.12.2017 | 31.12.2016 |
|---|---|---|
| | EUR | EUR |
| **Profit before net financial result** | **324,527** | **1,388,634** |
| Fair value adjustments, non-current assets | 287,655 | -820,598 |
| **Changes in:** | | |
| Trade and other receivables | 16,787 | -15,536 |
| Current liabilities | 31,854 | -59,995 |
| Financial expenses | -295,937 | -322,092 |
| Lease incentives | -10,448 | -9,262 |
| **Cashflows from operating activities** | **354,438** | **161,151** |
| Repayment of Berlin Hyp loan | 0 | -4,069,200 |
| Receipt from Postbank | 0 | 4,689,000 |
| Repayment of Postbank loan | -191,867 | -96,117 |
| Repayments (acceptance) on intercompany liabilities | -179,618 | -940,548 |
| **Cashflows from financing activities** | **-371,485** | **-416,865** |
| **Net cashflow for the year** | **-17,047** | **-255,714** |
| **Cash and cash equivalents** | | |
| Cash and cash equivalents at 1 January | 122,039 | 377,753 |
| Net cash flow for the year | -17,047 | -255,714 |
| **Cash and cash equivalents at 31 December** | **104,992** | **122,039** |

# Statement of changes in equity

| | Share capital | Retained earnings/ Accumulated loss | Total |
|---|---|---|---|
| | EUR | EUR | EUR |
| **Shareholders' equity at 1 January 2016** | 267,337 | -4,386,039 | -4,118,702 |
| Profit and loss | 0 | 1,066,543 | 1,066,543 |
| **Total equity at 31 December 2016** | **267,337** | **-3,319,496** | **-3,052,159** |
| **Shareholders' equity at 1 January 2017** | 267,337 | -3,319,496 | -3,052,159 |
| Profit and loss | 0 | 28,591 | 28,591 |
| **Total equity at 31 December 2017** | **267,337** | **-3,290,905** | **-3,023,568** |

# Notes

## Note 1 Accounting policies

The financial statements of MGM 1C 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), which is also the functional currency of the company.

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:

| IASB/IFRIC documents endorsed<br>Name | Effective date<br>Annual periods beginning on or after |
|---|---|
| Amendments to IAS 1 | 1 January 2016 |
| Amendments to IAS 16 and IAS 38:<br>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 |

| IASB/IFRIC documents not yet endorsed<br>Name | Effective date<br>Annual periods beginning on or after |
|---|---|
| IFRS 16: Leases | 1 January 2019 |
| Amendments to IFRS 4:<br>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:<br>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 any 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 are 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 if the Management considers that the entity acts as principal and net if the Management considers that the entity acts as agent.

**Expenses related to rental income**

Expenses that are directly linked to rental income and comprise mainly service charge expenses and asset and property management fees.

**Other external expenses**

Other external expenses comprise 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.

### Cash

Cash in the statement of financial position comprises cash at bank.

### 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 net 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.

### 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

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.

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 2017 are 7.2% (2016: 7.2%).

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 2017 is EUR 8,8m.

### 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 % |
|---|---|---|---|---|---|
| **GRI Multiplier** | | | | | |
| -1.00 | 8,349,526 | 8,271,725 | 8,195,012 | 8,119,366 | 8,044,769 |
| -0.50 | 7,980,642 | 7,906,290 | 7,832,978 | 7,760,686 | 7,689,396 |
| | 7,611,758 | 7,540,856 | 7,471,223 | 7,402,006 | 7,334,023 |
| 0.50 | 7,242,874 | 7,175,421 | 7,108,910 | 7,043,326 | 6,978,650 |
| 1.00 | 6,873,991 | 6,809,986 | 6,746,877 | 6,684,646 | 6,623,277 |

**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

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Rental income | 821,797 | 783,495 |
| Service charge income | 84,638 | 92,770 |
| Other property income | 13,954 | 134,354 |
| Bad debts/Receivables written of/Refund | 1,434 | -16,036 |
| **Revenue** | **921,823** | **994,583** |

Rental and related income fully relates to rent attributable to the year ended 31 December 2017. 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 2.6 years (2016: 2.8 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 2017, analysed by the period in which they fall due are as follows:

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| First year | 786,848 | 793,260 |
| Second up to and including fifth year | 1,795,711 | 1,661,271 |
| Sixth and subsequent years | 166,095 | 645,020 |
| | **2,748,654** | **3,099,551** |

## Note 5 Fair value adjustment

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| **Fair value adjustment of property** | **-287,655** | **820,598** |

## Note 6 Other financial expenses

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Interest payable, group enterprises | -237,230 | 280,098 |
| Interest payable, exchange losses and similar expenses | -58,706 | 41,993 |
| | **-295,936** | **322,091** |

## Note 7 Income taxes

| Tax for the year | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Current income tax charge | 0 | 0 |
| Deferred income tax | 0 | 0 |
| **Total tax for the year** | **0** | **0** |

| Reconciliation of effective tax rate | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Profit before tax | 28,591 | 1,066,543 |
| Expected tax rate | 22% | 22% |
| Expected effort for income tax | -6,290 | -234,639 |
| Tax | 0 | 0 |
| Deviation of foreign tax rates from expected tax rate | 1,766 | 65,859 |
| Changes of temporary differences for which no deferred tax asset is recognised | 4,525 | 190,756 |
| Current year losses for which no deferred tax asset is recognised | 0 | -21,976 |
| Other effects | 0 | 0 |
| **Effective income tax** | **0** | **0** |

| Breakdown of deferred tax liabilities | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Financial instruments | 7,168 | 13,671 |
| Set-off | -7,168 | -13,671 |
| **Total deferred tax liabilities** | **0** | **0** |

| Breakdown of deferred tax assets | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Tax losses carried forward | -71,419 | 57,389 |
| Set-off | -7,168 | -13,671 |
| Thereof unrecognised | 78,587 | -43,718 |
| **Total deferred tax assets** | **0** | **0** |

The company has tax loss carry forwards amounting to EUR 451,307.16 (2016: EUR 430,068). 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 31.12.2017 | Investment property |
|---|---|
| | EUR |
| Balance at 1.1.2017 | 12,498,040 |
| Lease incentives and leasing costs | -1,598 |
| Capital expenditures | 12,046 |
| **Balance at 31.12.2017** | **12,508,488** |

| Value adjustment | Investment property |
|---|---|
| | EUR |
| Balance at 1.1.017 | -4,749,610 |
| Value adjustments in the year | -287,655 |
| Write-downs at 31.12.2017 | -5,037,265 |
| **Carrying amount at 31.12.2017** | **7,471,222** |

| Cost at 31.12.2016 | Investment property |
|---|---|
| | EUR |
| Balance at 1.1.2016 | 12,488,777 |
| Lease incentives and leasing costs | -490 |
| Capital expenditures | 9,753 |
| **Balance at 31.12.2016** | **12,498,040** |

| Value adjustment | Investment property |
|---|---|
| | EUR |
| Balance at 1.1.2016 | -5,570,208 |
| Value adjustments in the year | 820,598 |
| Write-downs at 31.12.2016 | **-4,749,610** |
| **Carrying amount at 31.12.2016** | **7,748,430** |

### 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.[1]

[1] See note 3 for the explanation of the fair value hierarchy.

| As at 31 December 2017 | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| **Investment property** | **0** | **0** | **7,471,223** | **7,471,223** |

| As at 31 December 2016 | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | EUR | EUR | EUR | EUR |
| **Investment property** | **0** | **0** | **7,748,430** | **7,748,430** |

## Note 9 Payables to bank and credit institutions

| Breakdown of payables to bank and credit institutions in the financial position | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Non-current liabilities | 4,168,159 | 4,347,149 |
| Current liabilities | 187,805 | 187,560 |
| **Carrying amount at 31 December** | **4,355,964** | **4,534,709** |

| Payables to bank and credit institutions fall due for payments as follows | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Within 1 year | 187,805 | 187,560 |
| Between 1 to 5 years | 4,168,159 | 4,347,149 |
| Over 5 years | 0 | 0 |
| **Carrying amount at 31 December** | **4,355,964** | **4,534,709** |

## 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 60%.

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.[2]

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| Carrying amount of bank loans | 4,355,964 | 4,534,709 |
| **Principal amount of bank loans** | **4,401,260** | **4,592,883** |
| | | |
| Valuation of investment property | 7,471,223 | 7,748,430 |
| Loan to value ratio | 59% | 59% |

[2] 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.[3]

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 2017 | On demand | less than 1 year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| Secured bank loans | 0 | 187,805 | 4,168,159 | 0 | 4,355,964 |
| Payables to group enterprises | 0 | 4,673,856 | 1,562,457 | 0 | 6,236,313 |
| Trade and other payables | 0 | 44,215 | 0 | 0 | 44,215 |
| Accruals | 0 | 33,835 | 0 | 0 | 33,835 |
| | **0** | **4,939,712** | **5,730,616** | **0** | **10,670,328** |

| 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 | 187,560 | 4,347,149 | 0 | 4,534,709 |
| Payables to group enterprises | 0 | 4,866,597 | 1,562,457 | 0 | 6,429,054 |
| Trade and other payables | 0 | 7,879 | 0 | 0 | 7,879 |
| Accruals | 0 | 38,317 | 0 | 0 | 38,317 |
| | **0** | **5,100,353** | **5,909,606** | **0** | **11,009,959** |

**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:

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[3] See note 2.

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.

| Financial assets | 2017 Carrying amount | 2017 Fair value |
|---|---|---|
| | EUR | EUR |
| Trade and other receivables | 70,184 | 70,184 |
| Receivables from group enterprises | 361 | 361 |
| Cash | 104,992 | 104,992 |
| **Loans and receivables** | **175,536** | **175,536** |

| Financial liabilities | Carrying amount | Fair value |
|---|---|---|
| | EUR | EUR |
| Secured bank loans | 4,355,964 | 4,401,260 |
| Payables to group enterprises | 6,236,313 | 6,236,313 |
| Trade and other payables | 44,215 | 44,215 |
| Accruals | 33,835 | 33,835 |
| **Financial liabilities held** | **10,670,328** | **10,715,624** |

## Note 11 Security for loans

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

| | 2017 | 2016 |
|---|---|---|
| | EUR | EUR |
| **Investment property carrying amount** | **7,471,223** | **7,748,430** |

The Company guarantees the obligations under the Postbank AG credit agreement with the subsidiaries of its 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 2017 amounted to EUR 47,351 (2016: EUR 74,399).

## Note 12 Related parties

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

None of the directors were paid by MGM 1C ApS in the year. The Directors are employed by Nectar Asset Management ApS, which renders management services to MGM 1C ApS. The amount charged by Nectar Asset Management ApS in the year to 31 December 2017 for services rendered was EUR 3,380 (2016: EUR 3,382).

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.

**Balances with group enterprises:**

| | Principal Amount | Balance outstanding 31 Dec 2017 | Rate of interest | Maturity |
|---|---|---|---|---|
| | EUR | EUR | % | |
| Payable fall due for payment within 5 years: | | | | |
| **MELF S.à r.l.** | **1,537,713** | **1,537,713** | **15.20%** | **31 Dec 2021** |
| **MELF S.à r.l.** | **24,744** | **24,744** | **1.00%** | **31 Dec 2021** |
| Payable fall due for payment within 1 year: | | | | |
| **MELF S.à r.l.** | **4,664,406** | **4,664,406** | **0%** | **21 Jun 2018** |
| **MGM 1E ApS** | **9,381** | **9,381** | **0%** | **On demand** |
| **GRP 1A ApS** | **70** | **70** | **0%** | **On demand** |
| Receivables: | | | | |
| **MGM 1G ApS** | **361** | **361** | **0%** | **On demand** |

## Note 13 Subsequent events

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