

## **MGM 1F ApS**

c/o Nectar Asset Management ApS  
Ewaldsgade 7  
2200 Copenhagen N, Denmark  
CVR-No. 31 27 25 64

## **Financial Statements**

For the period 1 January – 31 December 2018  
(12 months)  
11th financial year

Adopted at the Annual General Meeting of shareholders  
on 29/5 2019



Chairman

**Helene Egede Scotwin**  
Advokat / Attorney-at-Law  
Accura Advokatpartnerselskab  
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2900 Hellerup, Denmark  
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# Independent auditor's report

## To the shareholders of MGM 1F ApS

### Opinion

We have audited the financial statements of MGM 1F ApS for the financial year 1 January – 31 December 2018, 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 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

## **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 the work we have performed, 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 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.

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 scepticism 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the 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.

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, 27 May 2019

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



Kaare K. Lendorf  
State Authorised  
Public Accountant  
MNE no.: mne33819

# Table of contents

<b>1</b>	<b>Company details</b>	<b>1</b>
<b>2</b>	<b>Statement by the Supervisory and Executive Boards on the Financial Statements</b>	<b>3</b>
<b>3</b>	<b>Financial highlights</b>	<b>4</b>
<b>4</b>	<b>Management's review</b>	<b>5</b>
<b>5</b>	<b>Statement of profit or loss and other comprehensive income</b>	<b>7</b>
<b>6</b>	<b>Statement of financial position</b>	<b>8</b>
<b>7</b>	<b>Statement of cash flows</b>	<b>10</b>
<b>8</b>	<b>Statement of changes in equity</b>	<b>11</b>
<b>9</b>	<b>Notes</b>	<b>12</b>

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



# 1 Company details

## **MGM 1F ApS**

c/o Nectar Asset Management ApS  
Ewaldsgade 7  
2200 Copenhagen N, Denmark

## **Company registration number**

CVR-No. 31 27 25 64

## **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., 12, Rue Guillaume Kroll, L-1882 Luxembourg



## **Ultimate parent company**

MELF S.à r.l., 12, Rue Guillaume Kroll, L-1882 Luxembourg

## **Auditors**

Ernst & Young Godkendt Revisionspartnerselskab  
Osvold Helmuhs Vej 4, 2000 Frederiksberg, Denmark

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

The Supervisory and Executive Boards have presented the Financial Statements of MGM 1F (in the following "the Company") for the year ended 31 December 2018. 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 2018.

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, 27.05.2019

Executive Board



Tommas Jakobsen



Charles Sherratt-Davies

Supervisory Board



Tommas Jakobsen



Charles Sherratt-Davies

# 3 Financial highlights

## 5-year summary

	2018	2017	2016	2015	2014
	EUR	EUR	EUR	EUR	EUR
<b>Key figures (in EUR, except per share data)</b>					
<b>Statement of comprehensive income</b>					
Revenue	1,367,486	1,360,624	1,305,893	1,419,301	1,343,265
Gross profit	991,879	1,010,654	1,002,527	1,125,127	1,096,892
Profit before net financials (EBIT)	260,598	654,971	864,967	1,264,174	706,278
Net financials	-580,454	-550,297	-575,196	-625,417	-685,641
Total comprehensive (expense)/income for the year	-319,856	104,672	296,449	632,085	20,440
<b>Statement of financial position</b>					
Total assets	15,543,490	13,342,267	13,345,487	13,554,782	12,986,287
Shareholders' equity	-1,276,592	-956,734	-1,061,406	-1,357,756	-1,989,841
<b>Other</b>					
Number of employees	0	0	0	0	0
<b>Ratio in %</b>					
Rate of return	1.68%	4.91 %	6.48 %	9.33 %	5.44 %
<small>(Profit/loss before net financials x 100/total assets)</small>					
Equity ratio	-8.21%	-7.17 %	-7.95 %	-10.02 %	-15.32 %
<small>(Shareholders' equity x 100/total assets)</small>					

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.

# 4 Management's review

## **Business activities and mission**

The Company's main objective is property investment.

## **Business review**

The Company recorded rental income of EUR 1,267,578 for the year ended 31 December 2018 (2017: EUR 1,222,032).

The Company's investment properties are recorded at fair value and have been valued at EUR 14,973,047 (2017: EUR 13,086,654).

## **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 318,560 and cash at bank at the balance sheet date of EUR 511,438.

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 2018.

## **Subsequent events**

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

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

	Notes	1.1.2018– 31.12.2018	1.1.2017– 31.12.2017
		EUR	EUR
Revenue	4	1,367,486	1,360,624
Expenses related to rental activity		-375,608	-349,970
<b>Gross profit</b>		<b>991,879</b>	<b>1,010,654</b>
Fair value adjustment	5	-674,371	-136,056
Other external expenses		-56,910	-219,629
<b>Profit before net financial result</b>		<b>260,598</b>	<b>654,971</b>
Other financial expenses	6	-580,454	-550,297
<b>Profit before tax</b>		<b>-319,857</b>	<b>104,672</b>
Tax for the year	7	0	0
<b>Net profit for the year</b>		<b>-319,857</b>	<b>104,672</b>
<b>Total comprehensive income for the year</b>		<b>-319,857</b>	<b>104,672</b>
<b>Total comprehensive income for the year attributable to: Equity holders of the company</b>		<b>-319,857</b>	<b>104,672</b>

## 6 Statement of financial position

Assets	Notes	31.12.2018	31.12.2017
		EUR	EUR
<b>A. Non-current assets</b>			
I. Investment property	8	14,973,047	13,086,654
<b>Total non-current assets</b>		<b>14,973,047</b>	<b>13,086,654</b>
<b>B. Current assets</b>			
I. Receivables			
1. Trade receivables		96	20,190
2. Receivables from group enterprises	12	42,545	42,545
4. Other receivables		16,363	0
II. Cash		511,438	192,878
<b>Total current assets</b>		<b>570,443</b>	<b>255,613</b>
<b>Total assets</b>		<b>15,543,490</b>	<b>13,342,267</b>

Equity and liabilities	Notes	31.12.2018	31.12.2017
		EUR	EUR
<b>A. Shareholders' equity</b>			
I. Share capital		352,586	352,586
II. Retained earnings/accumulated loss		-1,629,178	-1,309,320
<b>Total shareholders' equity</b>		<b>-1,276,592</b>	<b>-956,734</b>
<b>B. Non-current liabilities</b>			
I. Loans and borrowings	9	4,177,437	4,374,797
II. Payables to group enterprises	12	9,232,069	7,037,069
<b>Total non-current liabilities</b>		<b>13,409,506</b>	<b>11,411,866</b>
<b>C. Current liabilities</b>			
I. Current portion of non-current liabilities	9	204,254	197,057
II. Trade payables		450,313	127,590
III. Payables to group enterprises	12	2,716,337	2,525,161
IV. Deferred income		5,846	0
V. Other payables		0	3,706
VI. Accruals		33,824	33,621
<b>Total current liabilities</b>		<b>3,410,573</b>	<b>2,887,134</b>
<b>Total liabilities</b>		<b>16,820,080</b>	<b>14,299,000</b>
<b>Total equity and liabilities</b>		<b>15,543,489</b>	<b>13,342,267</b>



## 7 Statement of cash flows

	1.1.2018– 31.12.2018	1.1.2017– 31.12.2017
	EUR	EUR
<b>Profit before net financial result</b>	<b>260,598</b>	<b>654,971</b>
Fair value adjustments, non-current assets	674,371	136,056
Taxes refunded/(paid)	0	0
<b>Changes in:</b>		
Trade and other receivables	3,731	57,345
Current liabilities	325,065	80,788
Financial expenses	-580,454	-550,297
Lease incentives	7,207	-173,251
Capital expenditure	-2,567,971	
<b>Cash flows from operating activities</b>	<b>-1,877,452</b>	<b>205,612</b>
Repayment of Postbank loan	-203,369	-201,320
Repayments/acceptance on intercompany liabilities	2,399,382	12,640
<b>Cash flows from financing activities</b>	<b>2,196,012</b>	<b>-188,681</b>
<b>Net cash flow for the year</b>	<b>318,560</b>	<b>16,931</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at 1 January	192,878	175,947
Net cash flow for the year	318,560	16,931
<b>Cash and cash equivalents at 31 December</b>	<b>511,438</b>	<b>192,878</b>

## 8 Statement of changes in equity

	Share capital	Retained earnings/ Accumulated loss	Total
	EUR	EUR	EUR
<b>Shareholders' equity at 1 January 2017</b>	<b>352,586</b>	<b>-1,413,992</b>	<b>-1,061,406</b>
Profit and loss	0	104,672	104,672
<b>Total equity at 31 December 2017</b>	<b>352,586</b>	<b>-1,309,321</b>	<b>-956,735</b>
<b>Shareholders' equity at 1 January 2018</b>	<b>352,586</b>	<b>-1,309,321</b>	<b>-956,735</b>
Profit and loss	0	-319,857	-319,857
<b>Total equity at 31 December 2018</b>	<b>352,586</b>	<b>-1,629,178</b>	<b>-1,276,592</b>

# 9 Notes

## **Note 1 Accounting policies**

The financial statements of MGM 1F 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:

New currently effective requirements	Effective date
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRS 9: Financial Instruments	1 January 2018
Classification and Measurement of Share-based Payment Transactions	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle – various standards	1 January 2018
IFRIC 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

Forthcoming requirements	Effective date
IFRS 16: Leases	1 January 2019
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
Improvements to IFRS 2015-2017 (IFRS 3, IFRS 11, IAS 12, IAS 23)	1 January 2019
Amendments References to the Conceptual Framework in IFRS	1 January 2020
IFRS 17: Insurance Contracts	1 January 2021

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 before net financial result, adjusted for non-cash operating items, changes in working capital, paid financial 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 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)

### 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, contracted rental income and discount rate. An increase or decrease in the capitalisation rate will decrease or increase the fair value of the company's real estate assets. An increase or decrease in rental income will increase or decrease the fair value of the company's real estate assets. An increase or decrease to the discount rate will decrease or increase the fair value of the company's real estate assets. There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could magnify or mitigate the impact on the valuation.

### 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

	2018	2017
	EUR	EUR
Rental income	1,267,578	1,222,032
Service charge income	92,925	117,833
Other property income	6,983	20,760
<b>Revenue</b>	<b>1,367,486</b>	<b>1,360,624</b>

Rental and related income fully relates to rent attributable to the year ended 31 December 2018. 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 3.21 years (2017: 3.69 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 2018, analysed by the period in which they fall due are as follows:

	2018	2017
	EUR	EUR
First year	1,231,320	1,202,380
Second up to and including fifth year	3,615,296	3,515,730
Sixth and subsequent years	2,482,120	2,697,630
	<b>7,328,736</b>	<b>7,415,739</b>

## Note 5 Fair value adjustment

	2018	2017
	EUR	EUR
Fair value adjustment of property	<b>-674,371</b>	<b>-136,056</b>

## Note 6 Other financial expenses

	2018	2017
	EUR	EUR
Interest payable, group enterprises	521,176	488,909
Interest payable, exchange losses and similar expenses	59,278	61,388
	<b>580,454</b>	<b>550,297</b>

## Note 7 Income taxes

Reconciliation of effective tax rate	2018	2017
	EUR	EUR
Profit before tax	-319,856	104,673
Expected tax rate	22%	22 %
Expected effort for income tax	70,368	-23,028
Tax	0	0
Deviation of foreign tax rates from expected tax rate	-19,751	6,480
Changes of temporary differences for which no deferred tax asset is recognised	-30,312	16,549
Current-year losses for which no deferred tax asset is recognised	-20,305	0
<b>Effective income tax</b>	<b>0</b>	<b>0</b>

Breakdown of deferred tax liabilities	2018	2017
	EUR	EUR
Financial instruments	5,226	7,316
Set-off	-5,226	-7,316
<b>Total deferred tax liabilities</b>	<b>0</b>	<b>0</b>

Breakdown of deferred tax assets	2018	2017
	EUR	EUR
Investment property	28,813	3,788
Tax losses carried forward	94,666	74,379
Set-off	-5,226	-7,316
Unrecognised	-118,254	-70,851
<b>Total deferred tax assets</b>	<b>0</b>	<b>0</b>

The company has tax loss carry forwards amounting to EUR 598,206 (2017: EUR 470,012). 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 31.12.2018	Investment property
	EUR
Balance at 1.1.2018	17,019,602
Lease incentives and leasing costs	-7,207
Capital expenditures	2,567,971
<b>Balance at 31.12.2018</b>	<b>19,580,366</b>

Value adjustments	Investment property
	EUR
Balance at 1.1.2018	-3,932,948
Value adjustments in the year	-674,371
Write-downs at 31.12.2018	-4,607,319
<b>Carrying amount at 31.12.2018</b>	<b>14,973,047</b>

Cost at 31.12.2017	Investment property
	EUR
Balance at 1.1.2017	16,846,351
Lease incentives and leasing costs	-13,701
Capital expenditures	186,952
<b>Balance at 31.12.2017</b>	<b>17,019,602</b>

Value adjustments	Investment property
	EUR
Balance at 1.1.2017	-3,796,892
Value adjustments in the year	-136,056
Write-downs at 31.12.2017	-3,932,949
<b>Carrying amount at 31.12.2017</b>	<b>13,086,654</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 2018	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
<b>Investment property</b>			<b>14,973,047</b>	<b>14,973,047</b>

  

As at 31 December 2017	Level 1	Level 2	Level 3	Total fair value
	EUR	EUR	EUR	EUR
<b>Investment property</b>	<b>0</b>	<b>0</b>	<b>13,086,654</b>	<b>13,086,654</b>

## Note 9 Payables to bank and credit institutions

Breakdown of payables to bank and credit institutions in the financial position	2018	2017
	EUR	EUR
Non-current liabilities	4,177,437	4,374,797
Current liabilities	204,254	197,057
<b>Carrying amount at 31 December</b>	<b>4,381,691</b>	<b>4,571,853</b>

Payables to bank and credit institutions fall due for payments as follows	2018	2017
	EUR	EUR
Within 1 year	204,254	197,057
Between 1 to 5 years	4,177,437	4,374,797
Over 5 years	0	0
<b>Carrying amount at 31 December</b>	<b>4,381,691</b>	<b>4,571,853</b>

<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.

	2018	2017
	EUR	EUR
Carrying amount of bank loans	4,381,691	4,571,853
<b>Principal amount of bank loans</b>	<b>4,381,691</b>	<b>4,571,853</b>
Valuation of investment property	14,973,047	13,086,654
Loan to value ratio	29%	35 %

### 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.

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 2018	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	204,254	4,177,437	0	4,381,691
Payables to group enterprises	0	2,716,337	9,232,069	0	11,948,406
Trade and other payables	0	456,159	0	0	456,159
	<b>0</b>	<b>3,376,749</b>	<b>13,409,506</b>	<b>0</b>	<b>16,786,256</b>

At 31 December 2017	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	197,057	4,374,797	0	4,571,853
Payables to group enterprises	0	2,525,161	7,037,069	0	9,562,230
Trade and other payables	0	131,296	0	0	131,296
	<b>0</b>	<b>2,853,514</b>	<b>11,411,866</b>	<b>0</b>	<b>14,265,380</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.

Financial assets	2018	
	Carrying amount	Fair value
	EUR	EUR
Trade and other receivables	16,459	16,459
Receivables from group enterprises	42,545	42,545
Cash	511,438	511,438
<b>Loans and receivables</b>	<b>570,442</b>	<b>570,442</b>

  

Financial liabilities	2018	
	Carrying amount	Fair value
	EUR	EUR
Secured bank loans	4,381,691	4,414,713
Payables to group enterprises	11,948,406	11,948,406
Trade and other payables	456,159	456,159
Accruals	33,824	33,824
<b>Financial liabilities held</b>	<b>16,820,080</b>	<b>16,853,102</b>



## Note 11 Security for loans

	2018	2017
	EUR	EUR
<b>Investment property carrying amount</b>	<b>14,973,047</b>	<b>13,086,654</b>

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 2018 amounted to EUR 109,249 (2017: EUR 54,211).

## Note 12 Related parties

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

None of the directors were paid by MGM 1F ApS in the year. The Directors are employed by Nectar Asset Management ApS, which renders management services to MGM 1F ApS. The amount charged by Nectar Asset Management ApS in the year to 31 December 2018 for services rendered was EUR 1,675 (2016: EUR 3,380).

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 2018	Rate of interest	Maturity
	EUR	EUR	%	EUR
Payable fall due for payment within 5 years:				
<b>MELF S.à r.l.</b>	<b>6,864,022</b>	<b>6,864,022</b>	<b>7</b>	<b>31. Dec 2021</b>
<b>MELF S.à r.l.</b>	<b>173,047</b>	<b>173,047</b>	<b>1</b>	<b>31. Dec 2021</b>
<b>MELF S. à r.l.</b>	<b>2,195,000</b>	<b>2,195,000</b>	<b>2.5</b>	<b>12 Jan 2023</b>

	Principal Amount	Balance outstanding 31 Dec 2018	Rate of interest	Maturity
	EUR	EUR	%	EUR
Payable fall due for payment within 1 year:				
<b>MELF S.à r.l.</b>	<b>2.147.400</b>	<b>2.147.400</b>	<b>0</b>	<b>21 Jun 2019</b>
<b>MELF S.à r.l.</b>	<b>561,362</b>	<b>561,362</b>	<b>0</b>	<b>On demand</b>
<b>GRP 1A ApS</b>	<b>70</b>	<b>70</b>	<b>0</b>	<b>On demand</b>
<b>MGM 1E ApS</b>	<b>7.505</b>	<b>7.505</b>	<b>0</b>	<b>On demand</b>
Receivables:				
<b>GRP 1A ApS</b>	<b>361</b>	<b>361</b>	<b>0</b>	<b>On demand</b>
<b>GRP 1B ApS</b>	<b>1.791</b>	<b>1.791</b>	<b>0</b>	<b>On demand</b>
<b>GRP 1C ApS</b>	<b>393</b>	<b>393</b>	<b>0</b>	<b>On demand</b>
<b>MGM 1 S.à r.l.</b>	<b>30,000</b>	<b>30,000</b>	<b>0</b>	<b>On demand</b>
<b>MGRP S.à r.l.</b>	<b>10.000</b>	<b>10.000</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.