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**Erlika Holding ApS**
Bundgårdsvej 60
9000 Aalborg
Central Business Registration
No 32270581

# Annual report 2017

The Annual General Meeting adopted the annual report on 16.06.2018

**Chairman of the General Meeting**

Name: Erik Bent Hansen

Member of Deloitte Touche Tohmatsu Limited

# Contents

# Entity details

**Entity**
Erlika Holding ApS
Bundgårdsvej 60
9000 Aalborg

Central Business Registration No: 32270581
Registered in: Aalborg
Financial year: 01.01.2017 - 31.12.2017

**Executive Board**
Lisbeth Simonsen Pelle, CEO
Erik Bent Hansen, CEO

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4. sal
9000 Aalborg

# Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Erlika Holding ApS for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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

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

Aalborg, 16.06.2018

**Executive Board**

| | |
|---|---|
| Lisbeth Simonsen Pelle<br>CEO | Erik Bent Hansen<br>CEO |

# Independent auditor's report

**To the shareholders of Erlika Holding ApS**

**Opinion**

We have audited the consolidated financial statements and the parent financial statements of Erlika Holding ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

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

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

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements**

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

# Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent auditor's report

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

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

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

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

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

Aalborg, 16.06.2018

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Birner Sørensen
State Authorised Public Accountant
Identification number (MNE) mne11671

Sami Nikolai El-Galaly
State Authorised Public Accountant
Identification number (MNE) mne42793

# Management commentary

**Primary activities**

The primary activities of the Group are real estate investment and other investment activities.

**Development in activities and finances**

Net income for the year was a profit of DKK 6,332k.

**Events after the balance sheet date**

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

# Consolidated income statement for 2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| **Gross profit** | | **5.650.278** | **3.739.652** |
| Fair value adjustments of investment property | | 4.148.924 | 2.227.884 |
| Depreciation, amortisation and impairment losses | | (151.615) | (109.371) |
| **Operating profit/loss** | | **9.647.587** | **5.858.165** |
| Income from investments in associates | | 0 | 1.019.563 |
| Other financial income | 1 | 719.953 | 1.553.564 |
| Other financial expenses | 2 | (2.934.417) | (1.688.373) |
| **Profit/loss before tax** | | **7.433.123** | **6.742.919** |
| Tax on profit/loss for the year | 3 | (1.100.508) | (1.003.283) |
| **Profit/loss for the year** | | **6.332.615** | **5.739.636** |
| **Proposed distribution of profit/loss** | | | |
| Transferred to reserve for net revaluation according to the equity method | | 0 | 1.019.563 |
| Retained earnings | | 6.332.615 | 4.720.073 |
| | | **6.332.615** | **5.739.636** |

# Consolidated balance sheet at 31.12.2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| Goodwill | | 0 | 0 |
| **Intangible assets** | 4 | **0** | **0** |
| Investment property | | 143.750.000 | 98.150.000 |
| Other fixtures and fittings, tools and equipment | | 144.289 | 398.638 |
| Prepayments for property, plant and equipment | | 0 | 500.000 |
| **Property, plant and equipment** | 5 | **143.894.289** | **99.048.638** |
| Investments in associates | | 0 | 9.068.178 |
| **Fixed asset investments** | 6 | **0** | **9.068.178** |
| **Fixed assets** | | **143.894.289** | **108.116.816** |
| Trade receivables | | 164.609 | 116.427 |
| Receivables from group enterprises | | 0 | 166.439 |
| Receivables from associates | | 0 | 3.088.229 |
| Deferred tax | | 227.639 | 0 |
| Other receivables | | 8.675.347 | 299.712 |
| Prepayments | | 35.948 | 22.728 |
| **Receivables** | | **9.103.543** | **3.693.535** |
| **Cash** | | **71.224** | **1.152.992** |
| **Current assets** | | **9.174.767** | **4.846.527** |
| **Assets** | | **153.069.056** | **112.963.343** |

# Consolidated balance sheet at 31.12.2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| Contributed capital | | 125.000 | 125.000 |
| Reserve for net revaluation according to the equity method | | 0 | 1.019.563 |
| Retained earnings | | 38.703.499 | 30.861.825 |
| **Equity** | | **38.828.499** | **32.006.388** |
| Deferred tax | | 8.401.782 | 5.099.933 |
| **Provisions** | | **8.401.782** | **5.099.933** |
| Mortgage debts | | 91.683.074 | 59.355.569 |
| Other payables | | 1.605.343 | 2.230.567 |
| **Non-current liabilities other than provisions** | 7 | **93.288.417** | **61.586.136** |
| Current portion of long-term liabilities other than provisions | 7 | 1.016.800 | 836.275 |
| Bank loans | | 6.092.478 | 10.726.384 |
| Deposits | | 1.868.683 | 1.299.843 |
| Prepayments received from customers | | 1.310.385 | 843.898 |
| Trade payables | | 217.900 | 103.880 |
| Joint taxation contribution payable | | 735.245 | 71.615 |
| Other payables | | 1.308.867 | 388.991 |
| **Current liabilities other than provisions** | | **12.550.358** | **14.270.886** |
| **Liabilities other than provisions** | | **105.838.775** | **75.857.022** |
| **Equity and liabilities** | | **153.069.056** | **112.963.343** |
| Financial instruments | 8 | | |
| Contingent liabilities | 9 | | |
| Mortgages and securities | 10 | | |
| Subsidiaries | 11 | | |

# Consolidated statement of changes in equity for 2017

| | Contributed capital DKK | Reserve for net revaluation according to the equity method DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 125.000 | 1.019.563 | 30.861.825 | 32.006.388 |
| Group contributions etc | 0 | 0 | 489.496 | 489.496 |
| Transfer to reserves | 0 | (1.019.563) | 1.019.563 | 0 |
| Profit/loss for the year | 0 | 0 | 6.332.615 | 6.332.615 |
| **Equity end of year** | **125.000** | **0** | **38.703.499** | **38.828.499** |

# Notes to consolidated financial statements

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **1. Other financial income** | | |
| Financial income arising from group enterprises | 2.983 | 9.591 |
| Interest income | 24.473 | 0 |
| Exchange rate adjustments | 0 | 5.311 |
| Fair value adjustments | 568.898 | 880.830 |
| Other financial income | 123.599 | 657.832 |
| | **719.953** | **1.553.564** |

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **2. Other financial expenses** | | |
| Interest expenses | 173.045 | 171.308 |
| Exchange rate adjustments | 1.979 | 0 |
| Other financial expenses | 2.759.393 | 1.517.065 |
| | **2.934.417** | **1.688.373** |

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **3. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | 735.244 | 71.615 |
| Change in deferred tax for the year | 365.264 | 923.380 |
| Refund in joint taxation arrangement | 0 | 8.288 |
| | **1.100.508** | **1.003.283** |

| | Goodwill<br>DKK |
|---|---|
| **4. Intangible assets** | |
| Additions | 128.715 |
| **Cost end of year** | **128.715** |
| | |
| Impairment losses for the year | (128.715) |
| **Amortisation and impairment losses end of year** | **(128.715)** |
| | |
| **Carrying amount end of year** | **0** |

# Notes to consolidated financial statements

| | Investment property DKK | Other fixtures and fittings, tools and equipment DKK | Prepay-ments for property, plant and equipment DKK |
|---|---|---|---|
| **5. Property, plant and equipment** | | | |
| Cost beginning of year | 74.369.747 | 990.370 | 500.000 |
| Transfers | 500.000 | 0 | (500.000) |
| Additions | 42.565.924 | 0 | 0 |
| Disposals | (1.614.848) | (532.331) | 0 |
| **Cost end of year** | **115.820.823** | **458.039** | **0** |
| Depreciation and impairment losses beginning of the year | 0 | (591.732) | 0 |
| Depreciation for the year | 0 | (22.900) | 0 |
| Reversal regarding disposals | 0 | 300.882 | 0 |
| **Depreciation and impairment losses end of the year** | **0** | **(313.750)** | **0** |
| Fair value adjustments beginning of year | 23.780.253 | 0 | 0 |
| Fair value adjustments for the year | 4.148.924 | 0 | 0 |
| **Fair value adjustments end of year** | **27.929.177** | **0** | **0** |
| **Carrying amount end of year** | **143.750.000** | **144.289** | **0** |

As described under accounting policies, investment property is measured at fair value using the return-based model. The Group’s investment property consists of residential leases as well as a few commercial leases. The Group’s investment property is situated in Aalborg and Copenhagen, Denmark. The required rate of return is used for the valuation of the residentalt investment properties, 2,71 – 4,79 % (weighted average, 4,53 %).

A deviation on the required rate of return of an average of +/- 0,5 percentage points will result in a change in fair value of DKK -14.579k and DKK +18.435, respectively, and a change in equity of DKK DKK -11.372k and DKK 14.379k.

Normalised net rent used for the calculation is fixed by Management at DKK 6.504k based on the operating expenses and the actual lease of the property.

The Company’s properties, in all material respects, have been leased out in the financial year, and according to the market standard for similar properties, vacancy is not budgeted for in the assumptions for normalised operations due to the location of the properties. An external real estate appraiser has not been used for the valuation of the investment property, but Management has used updated market data from a recognised

# Notes to consolidated financial statements

market report to determine the required rate of return. The required rate of return from the market reporting amounts to 3,75 – 4,78 %.

The valuation of the property Glentevej 10, 2400 Copenhagen (DKK 17.70m) is corrected for sales VAT in the valuation of the property.

The property Galionsvej 5, 1437 Copenhagen (DKK 6.75m) was bought in the financial year at a value equal to the fair value and there are comparable transactions that support the fair value.

| | Investments in associates DKK |
|---|---|
| **6. Fixed asset investments** | |
| Cost beginning of year | 8.048.615 |
| Disposals | (8.048.615) |
| **Cost end of year** | **0** |
| | |
| Revaluations beginning of year | 1.019.563 |
| Dividend | (5.800.000) |
| Reversal regarding disposals | 4.780.437 |
| **Revaluations end of year** | **0** |
| | |
| **Carrying amount end of year** | **0** |

| | Instalments within 12 months 2017 DKK | Instalments within 12 months 2016 DKK | Instalments beyond 12 months 2017 DKK | Outstanding after 5 years DKK |
|---|---|---|---|---|
| **7. Liabilities other than provisions** | | | | |
| Mortgage debts | 461.474 | 337.275 | 91.683.074 | 90.559.306 |
| Other payables | 555.326 | 499.000 | 1.605.343 | 0 |
| | **1.016.800** | **836.275** | **93.288.417** | **90.559.306** |

**8. Financial instruments**

Other payables include a negative fair value of interest rate swaps of DKK 2,161k. The principal of the interest rate swaps amounts to DKK 18,164k, and the remaining term to maturity is 4-5 years. The interest paid is a fixed interest rate between 2.85 and 3.70 %, and the interest received is a floating interest rate based on CIBOR 3M. The interest rate swap does not meet the conditions of being treated as hedge accounting, and the change in fair value is therefore recognised on a continuous basis in the income statement under financial income and expenses.

# Notes to consolidated financial statements

**9. Contingent liabilities**

The Group's intention with the property Glentevej 10, 2400 Copenhagen, is further trading, but it is currently being used for private rental. The property is therefore subject to VAT regulation obligation totaling DKK 1,672k at the balance sheet date.

**10. Mortgages and securities**

Mortgage debt of DKK 92,143k is secured by way of mortgage on properties. The carrying amount of mortgaged properties constitutes DKK 143,750k.

Bank debt is secured by way of a mortage on properties, the mortgage deed constitutes DKK 17,667k. The carrying amount of mortgaged properties constitutes DKK 36,550k.

For security to the owners association in Glentevej 10, 2400 Copenhagen, there has been granted mortgages on properties, nominal DKK 52k.

The Group has mortgages on investment properties provided for collateral for intermediaries between Nykredit Bank. The carrying amount of mortgaged properties constitutes DKK 10,750k.

The Group has secured bank debts to Nykredit Bank with a nominal value of DKK 4,677k. The carrying amount of mortgaged properties constitutes DKK 18,300k.

| **11. Subsidiaries** | **Registered in** | **Corporate form** | **Equity interest %** |
|---|---|---|---|
| Ejendomsselskabet VN 82 ApS | Aalborg | ApS | 100,0 |
| Ejendomsselskabet Kjellerupsgade 9, Aalborg ApS | Aalborg | ApS | 100,0 |
| Rantzausgade 1-5 ApS | Aalborg | ApS | 100,0 |
| Louisegade 17 ApS | Aalborg | ApS | 100,0 |
| Boliganpartsselskabet Boulevarden 26A, Aalborg | Aalborg | ApS | 100,0 |
| Prinsensgade 41 ApS | Aalborg | ApS | 100,0 |
| Ejendomsselskabet Danmarksgade 63 ApS | Aalborg | ApS | 100,0 |
| Danmarksgade 67 ApS | Aalborg | ApS | 100,0 |
| Galionsvej 5 ApS | Aalborg | ApS | 100,0 |
| Glentevej 10 ApS | Aalborg | ApS | 100,0 |

# Parent income statement for 2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| **Gross loss** | | **(113.798)** | **(113.112)** |
| Income from investments in group enterprises | | 6.869.217 | 4.217.186 |
| Income from investments in associates | | 0 | 1.019.563 |
| Other financial income | 1 | 723.985 | 1.551.646 |
| Other financial expenses | 2 | (1.298.139) | (1.114.819) |
| **Profit/loss before tax** | | **6.181.265** | **5.560.464** |
| Tax on profit/loss for the year | 3 | 151.350 | 179.172 |
| **Profit/loss for the year** | | **6.332.615** | **5.739.636** |
| **Proposed distribution of profit/loss** | | | |
| Transferred to reserve for net revaluation according to the equity method | | 0 | 5.236.749 |
| Retained earnings | | 6.332.615 | 502.887 |
| | | **6.332.615** | **5.739.636** |

# Parent income statement for 2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| Investments in group enterprises | | 60.167.200 | 45.546.705 |
| Investments in associates | | 0 | 9.068.178 |
| Other receivables | | 0 | 500.000 |
| **Fixed asset investments** | 4 | **60.167.200** | **55.114.883** |
| **Fixed assets** | | **60.167.200** | **55.114.883** |
| Receivables from group enterprises | | 2.378.993 | 266.878 |
| Receivables from associates | | 0 | 3.088.229 |
| Deferred tax | | 193.339 | 408.375 |
| Other receivables | | 8.310.723 | 0 |
| **Receivables** | | **10.883.055** | **3.763.482** |
| **Cash** | | **16.401** | **85.512** |
| **Current assets** | | **10.899.456** | **3.848.994** |
| **Assets** | | **71.066.656** | **58.963.877** |

# Parent balance sheet at 31.12.2017

| | Notes | 2017 DKK | 2016 DKK |
|---|---|---|---|
| Contributed capital | | 125.000 | 125.000 |
| Reserve for net revaluation according to the equity method | | 35.245.601 | 29.417.619 |
| Retained earnings | | 3.457.898 | 2.463.769 |
| **Equity** | | **38.828.499** | **32.006.388** |
| Other payables | | 1.605.343 | 2.230.567 |
| **Non-current liabilities other than provisions** | 5 | **1.605.343** | **2.230.567** |
| Current portion of long-term liabilities other than provisions | 5 | 555.326 | 499.000 |
| Bank loans | | 2.017.528 | 2.003.549 |
| Trade payables | | 15.500 | 0 |
| Payables to group enterprises | | 27.307.540 | 22.208.873 |
| Other payables | | 736.920 | 15.500 |
| **Current liabilities other than provisions** | | **30.632.814** | **24.726.922** |
| **Liabilities other than provisions** | | **32.238.157** | **26.957.489** |
| **Equity and liabilities** | | **71.066.656** | **58.963.877** |
| Financial instruments | 6 | | |
| Contingent liabilities | 7 | | |
| Mortgages and securities | 8 | | |

# Parent statement of changes in equity for 2017

| | Contributed capital DKK | Reserve for net revaluation according to the equity method DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 125.000 | 29.417.619 | 2.463.769 | 32.006.388 |
| Group contributions etc | 0 | 0 | 489.496 | 489.496 |
| Transfer to reserves | 0 | 5.827.982 | (5.827.982) | 0 |
| Profit/loss for the year | 0 | 0 | 6.332.615 | 6.332.615 |
| **Equity end of year** | **125.000** | **35.245.601** | **3.457.898** | **38.828.499** |

# Notes to parent financial statements

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **1. Other financial income** | | |
| Financial income arising from group enterprises | 31.488 | 12.984 |
| Fair value adjustments | 0 | 880.830 |
| Other financial income | 692.497 | 657.832 |
| | **723.985** | **1.551.646** |

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **2. Other financial expenses** | | |
| Financial expenses from group enterprises | 480.860 | 410.938 |
| Other financial expenses | 817.279 | 703.881 |
| | **1.298.139** | **1.114.819** |

| | 2017<br>DKK | 2016<br>DKK |
|---|---|---|
| **3. Tax on profit/loss for the year** | | |
| Change in deferred tax for the year | (151.350) | (122.565) |
| Adjustment concerning previous years | 0 | (39.168) |
| Effect of changed tax rates | 0 | (17.439) |
| | **(151.350)** | **(179.172)** |

| | Investments in group enterprises<br>DKK | Investments in associates<br>DKK |
|---|---|---|
| **4. Fixed asset investments** | | |
| Cost beginning of year | 17.148.649 | 8.048.615 |
| Additions | 8.110.700 | 0 |
| Disposals | (337.750) | (8.048.615) |
| **Cost end of year** | **24.921.599** | **0** |
| | | |
| Revaluations beginning of year | 28.398.056 | 1.019.563 |
| Amortisation of goodwill | (128.715) | 0 |
| Share of profit/loss for the year | 6.997.932 | 0 |
| Dividend | 0 | (5.800.000) |
| Reversal regarding disposals | (21.672) | 4.780.437 |
| **Revaluations end of year** | **35.245.601** | **0** |
| | | |
| **Carrying amount end of year** | **60.167.200** | **0** |

Goodwill constitutes DKK 0k at the balance sheet date.

# Notes to parent financial statements

Specification of investments in subsidiaries is shown in the notes to the consolidated financial statements.

| | Instalments within 12 months 2017 DKK | Instalments within 12 months 2016 DKK | Instalments beyond 12 months 2017 DKK |
|---|---|---|---|
| **5. Liabilities other than provisions** | | | |
| Other payables | 555.326 | 499.000 | 1.605.343 |
| | **555.326** | **499.000** | **1.605.343** |

**6. Financial instruments**

Other payables include a negative fair value of interest rate swaps of DKK 2,161k. The principal of the interest rate swaps amounts to DKK 18,164k, and the remaining term to maturity is 4-5 years. The interest paid is a fixed interest rate between 2.85 and 3.70 %, and the interest received is a floating interest rate based on CIBOR 3M. The interest rate swap does not meet the conditions of being treated as hedge accounting, and the change in fair value is therefore recognised on a continuous basis in the income statement under financial income and expenses.

**7. Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which LPEH Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

**8. Mortgages and securities**

The Company's bank debt is secured by shares in subsidiary, Ejendomsselskabet Danmarksgade 63 ApS.

Bank debt amounts to DKK 0k at the balance sheet date.

The Company has made a self-warranty guarantee against all intermediaries between the bank and subsidiary, Danmarksgade 67 ApS. The bank debt amounts to DKK 0k at the balance sheet date.

# Accounting policies

**Reporting class**
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

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

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

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

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

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

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

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

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

# Accounting policies

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

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

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

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

**Income statement**
**Gross profit or loss**
Gross profit or loss comprises revenue and external expenses.

**Revenue**
Revenue consists of the year’s accrued rental income and are recognized in the income statement as they are earned. Revenue is recognized exclusive VAT, taxes and discounts in connection with the sale and is measured at the fair value of the fixed fee.

**Fair value adjustments of investment property**
Fair value adjustment of investment properties for the financial year of the Entity’s investment properties measured at fair value at the balance sheet date.

**Other operating income**
Other operating income comprises income of a secondary nature as viewed in relation to the Entity’s primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

# Accounting policies

**Other external expenses**
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Depreciation, amortisation and impairment losses**
Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

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

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

**Other financial income**
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

**Balance sheet**
**Goodwill**
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary

# Accounting policies

nature that cannot be separated and recognised as separate assets. Useful lives are reassessed on an annual basis. The amortisation periods used are 1 to 3 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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

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

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

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

There is no expected residual value after use.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

**Investment property**
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date. Fair value is determined by applying the return-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required rate of return that reflects current market required rates of return for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties’ fair value are recognised in the income statement.

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

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

# Accounting policies

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

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

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

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

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

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

**Cash**
Cash comprises cash in hand and bank deposits.

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

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

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

**Mortgage debt**
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

# Accounting policies

**Prepayments received from customers**
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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