

# M7 Real Estate ApS

Borgergade 2, 6 sal., 1300 København K

CVR no. 32 31 96 96

## Annual report 2017

Approved at the Company's annual general meeting on 9 May 2018

Chairman:

  
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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of M7 Real Estate ApS for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 9 May 2018  
Executive Board:



Mette Seifert

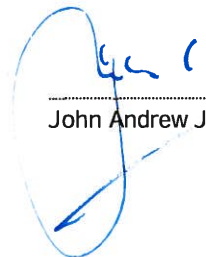
Board of Directors:



Teresa Gilchrist  
Chairman



Mette Seifert



John Andrew Jenkins

## Independent auditor's report

To the shareholders of M7 Real Estate ApS

### Opinion

We have audited the financial statements of M7 Real Estate ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 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 as to 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 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 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 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 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.

### Independent auditor's report

- ▶ 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.

#### Statement on the Management's review

Management is responsible for the Management's review.

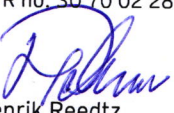
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 9 May 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Henrik Reedtz  
State Authorised Public Accountant  
MNE no.: mne24830



## Management's review

### Company details

Name	M7 Real Estate ApS
Address, Postal code, City	Borgergade 2, 6 sal., 1300 København K
CVR no.	32 31 96 96
Established	25 April 2013
Registered office	København
Financial year	1 January - 31 December
Website	<a href="http://www.m7re.dk">www.m7re.dk</a>
Board of Directors	Teresa Gilchrist, Chairman Mette Seifert John Andrew Jenkins
Executive Board	Mette Seifert
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank Holmens Kanal 2-12, 1092 København K



## Management's review

### Business review

The primary activity is acquisition, administration and sale of real estate, real estate companies and non-performing loans in Denmark.

### Unusual matters having affected the financial statements

#### *Going concern*

The Company has as per 31 December 2017 a negative equity of DKK 6,840,910, reflecting a loss of DKK 1,631,507 in 2017. M7 group looks at all the companies as one joint company, which is why the equity also is seen as on a group level. The equity for the Danish company will be reinstated by own profit. Because of the negative equity in the Danish company, the company has received a statement of support from the mother company M7 Real Estate Ltd until the 1st January 2019.

### Financial review

The income statement for 2017 shows a loss of DKK 1,631,507 against a loss of DKK 3,150,618 last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 6,840,910.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

The company's revenue is expected to increase for the following financial year, as a result of new funds where a asset management fee is received. It is expected that this will have an impact on the result for the year which is expected to be a nil result.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2017	2016
	Gross margin	4,881,002	2,077,078
3	Staff costs	-5,966,833	-5,072,076
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-91,976	-126,962
	Profit/loss before net financials	-1,177,807	-3,121,960
4	Financial expenses	-453,700	-28,658
	Profit/loss before tax	-1,631,507	-3,150,618
	Tax for the year	0	0
	Profit/loss for the year	-1,631,507	-3,150,618
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-1,631,507	-3,150,618
		-1,631,507	-3,150,618



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2017	2016
	<b>ASSETS</b>		
	Non-current assets		
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	100,705	192,681
		<u>100,705</u>	<u>192,681</u>
6	Financial assets		
	Other receivables	315,434	303,441
		<u>315,434</u>	<u>303,441</u>
	Total non-current assets	<u>416,139</u>	<u>496,122</u>
	Current assets		
	Receivables		
	Trade receivables	1,833,472	76,130
	Other receivables	20,530	17,464
		<u>1,854,002</u>	<u>93,594</u>
	Cash	1,247,937	804,282
	Total current assets	<u>3,101,939</u>	<u>897,876</u>
	<b>TOTAL ASSETS</b>	<u><u>3,518,078</u></u>	<u><u>1,393,998</u></u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
	Share capital	80,150	80,150
	Retained earnings	-6,921,060	-5,289,553
	Total equity	<u>-6,840,910</u>	<u>-5,209,403</u>
	Current liabilities		
	Trade payables	33,357	178,344
	Payables to group entities	8,390,915	5,163,903
	Other payables	1,934,716	1,261,154
	Total current liabilities	<u>10,358,988</u>	<u>6,603,401</u>
	Total liabilities	<u>10,358,988</u>	<u>6,603,401</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>3,518,078</u></u>	<u><u>1,393,998</u></u>

- 1 Accounting policies
- 2 Going concern uncertainties
- 7 Contractual obligations and contingencies, etc.
- 8 Contingent assets



## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	80,150	-5,289,553	-5,209,403
Transfer through appropriation of loss	0	-1,631,507	-1,631,507
Equity at 31 December 2017	<u>80,150</u>	<u>-6,921,060</u>	<u>-6,840,910</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of M7 Real Estate ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Gross margin

The items revenue and external expenses have been aggregated into one item in the income statement called gross margin, in accordance with section 32 of the Danish Financial Statements Act.

##### External expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Other fixtures and fittings, tools and equipment 3 - 5 years

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

#### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Other payables

Other payables are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Going concern uncertainties

As of 31 December 2017, the Company has a negative equity of DKK 6,840,910, reflecting the fact that the Company is still in the start-up phase.

M7 group looks at all the companies as one joint company, which is why the equity also is seen as on a group level. The equity for the Danish company will be reinstated by own profit. Because of the negative equity in the Danish company, the company has received a statement of support from the mother company M7 Real Estate Ltd until the 1st January 2019.

DKK	2017	2016
3 Staff costs		
Wages/salaries	5,224,235	4,430,750
Pensions	450,754	522,071
Other social security costs	19,355	10,543
Other staff costs	272,489	108,712
	5,966,833	5,072,076
 Average number of full-time employees	 7	 7
4 Financial expenses		
Interest expenses, group entities	437,128	28,658
Other financial expenses	16,572	0
	453,700	28,658
5 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2017		487,131
Cost at 31 December 2017		487,131
Impairment losses and depreciation at 1 January 2017		294,450
Amortisation/depreciation in the year		91,976
Impairment losses and depreciation at 31 December 2017		386,426
Carrying amount at 31 December 2017		100,705
6 Investments		
DKK		Other receivables
Cost at 1 January 2017		303,441
Additions in the year		11,993
Cost at 31 December 2017		315,434
Carrying amount at 31 December 2017		315,434



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Other rent and lease liabilities:

DKK	<u>2017</u>	<u>2016</u>
Rent and lease liabilities	<u>1,973,920</u>	<u>2,418,000</u>

Rent and lease liabilities include a rent obligation totalling DKK 1,973,920 in interminable rent agreements with remaining contract terms of 3 years.

#### 8 Contingent assets

The Company has tax loss carry-forwards totalling DKK 6,572 thousand. The nominal value thereof is 22%, totalling DKK 1,445 thousand. The whole amount has not been recognised in the balance sheet due to uncertainty as to the application of the tax losses.