

# Sparinvest Property Fund III K/S

CVR-no. 35 38 37 19

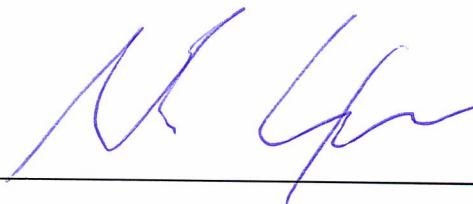
Strandvejen 102 E, 4<sup>th</sup> floor  
2900 Hellerup

## Annual report

1 October 2016 - 30 September 2017

5<sup>th</sup> financial year

Approved at the annual general meeting on 31 January 2018



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Chairman

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# 1 Statement by the general partner and independent auditor's report

## 1.1 Statement by the general partner

The general partner has today considered and approved the annual report of Sparinvest Property Fund III K/S (Fund) for the period 1 October 2016 - 30 September 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

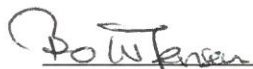
In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017.

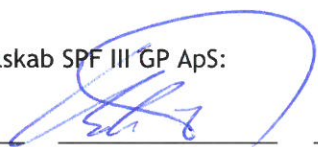
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Hellerup, 1 December 2017

Komplementarselskab SPF III GP ApS:

  
Bo W. Jensen  
Managing Partner

  
Marko Multas  
Partner

## Independent auditor's report

### To the limited partners of Sparinvest Property Fund III K/S

#### Opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Sparinvest Property Fund III K/S for the financial year 1 October 2016 - 30 September 2017, which comprise an income statement, balance sheet and notes, including accounting policies, for the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 October 2016 - 30 September 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 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 company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and Parent Company 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 Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the Parent Company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the Parent Company financial statements unless Management either intends to liquidate the Group or the Parent Company 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 company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company 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 these consolidated financial statements and Parent Company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the Parent Company 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 Parent 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 consolidated financial statements and the Parent Company 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 Parent 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 consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the Parent Company financial statements, including the note disclosures, and whether the consolidated financial statements and the Parent Company 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.

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

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company 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 consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the Parent Company 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's review.

Copenhagen, 1 December 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Ole Karstensen  
State Authorised  
Public Accountant

MNE16615



Kaare Kristensen Lendorf  
State Authorised  
Public Accountant

MNE33819

## 2 Management's review

### 2.1 Company details

Sparinvest Property Fund III K/S  
Strandvejen 102E, 4th floor  
DK-2900 Hellerup  
Telephone: + 45 36 34 75 00

Registration no.: 35 38 37 19  
Established: 21 June 2013  
Registered office: Hellerup  
Financial year: 1 October - 30 September  
Bank: Nykredit Bank

#### Investor Board

Nikolaj Stampe  
Peter Olsson  
Anne Charlotte Mark  
Helle Ærendahl Heldbo  
Christiane Eckert  
Niels Mazanti  
Per Skovsted  
Thomas Overvad

#### Management

Komplementarselskab SPF III GP ApS, Strandvejen 102E, 4th floor, 2900 Hellerup v/  
Managing Partner Bo W. Jensen  
Senior Partner Kresten D. Juellner  
Senior Partner Mads Rude  
Partner Marko Multas

#### Auditors

Ernst & Young P/S  
Godkendt Revisionspartnerselskab  
Osvold Helmuths Vej 4  
DK-2000 Frederiksberg

#### Annual general meeting

The annual general meeting is to be held on 31 January 2018.

## 2.2 Business concept and objectives

### 2.2.1 *Business concept*

Sparinvest Property Fund III K/S' business concept is investment in and management of indirect investments in foreign property via international partners.

At 30 September 2017, Sparinvest Property Fund III K/S had given commitments to 14 property investments and the following diversification had been obtained on the three geographic regions, measured as commitments including the effect of gearing:

Region	Current investment volume based on actual gross asset value in the investments
Europe	26.4%
Americas	35.5%
Asia	38.1%

### 2.2.2 *Long-term objectives*

The Fund's objectives are to generate an attractive total rate of return of 11-13% per annum, including approximately 4% in dividends from operating cash flow.

## 2.3

### The year at a glance

Real estate is still attractive, and high demand for real estate benefits our investments. In combination with the low interest rate environment and growing economies, the future looks bright for the Fund.

Profit for the year amounted to EUR 17,860 thousand, which is in line with the expectations.

As a result of implementing changes in the Danish Financial Statements Act act no. 738 of 1 June 2015, which became effective on 1 January 2016, with the effect that positive fair value adjustments on investments in foreign property recognised as joint ventures and associates from 2016 is not recognised at the income statement but is recognised directly at the equity.

The effect of the above mentioned change has increased the profit in the financial year 2016/17 with EUR 3,131 thousand and reduced the profit with EUR 17,290 thousand in the financial year 2015/16 compared to previous accounting policies. If all the fair value adjustments on investments in foreign property investments were recognised in the income statement, the key figures of the income statement would have been as followed as per 30 September 2017:

EURO000	Income statement for the Group 30 September 2017			Income statement for the Company 30 September 2017		
	All fair value adjustments recognised in income statement	Adjustment	Accounting policies	All fair value adjustments recognised in income statement	Adjustment	Accounting policies
Fair value adjustment of properties and liabilities	11,694	-2,995	8,699	8,109	-2,658	5,451
Operating profit	28,066	-2,995	25,071	12,528	-2,658	9,870
Profit from group entities				7,588	5,789	13,377
Financial income	4,071	0	4,071	1,554	0	1,554
Financial expenses	-17,408	6,126	-11,282	-6,941	0	-6,941
Profit for the year	14,729	3,131	17,860	14,729	3,131	17,860

The investments continue to be recognised at fair value, and the change in the accounting policies has no effect on the balance sheet or the equity.

#### 2.3.1

#### *Operating activities*

In the financial year 2016/17, the Group generated a positive operating profit of EUR 25,071 thousand. Profit after foreign exchange adjustments and financial expenses amounted to EUR 17,860 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 1,481 thousand.

Financial income for the year totalled EUR 4,071 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 11,282 thousand.

#### 2.3.2 **Financing**

In the financial year, the investors in the Group made capital injections (cash calls) of EUR 33,319 thousand. The Investors have received exit distributions of EUR 44,754 thousand.

The limited partner's committed capital totalled EUR 317 million. Undrawn capital amounted to EUR 73 million. There is not assessed to be any risk in connection with payment of the undrawn commitment.

#### 2.3.3 **Investments**

At the end of the financial year, total commitments to investments amounted to EUR 235.76 million, equivalent to 74.3% of total commitments to the Fund. Of the total commitments, net investments made (cash calls) totalled EUR 174.9 million or approx. 55.1% of the total commitments to the Fund.

#### 2.3.4 **Parent Company**

In the financial year 2016/17, the Parent Company generated a positive operating profit of EUR 9,870 thousand. Profit after foreign exchange adjustments, financial income and financial expenses was positive by EUR 17,860 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 603 thousand.

Financial income for the year totalled EUR 1,554 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 6,941 thousand.

2.3.5 ***Uncertainties relating to recognition and measurement in investment in property investments***

In the Parent Company, investments in property investments and investments in subsidiaries are measured at fair value. The measurement includes accounting estimates and is, therefore, subject to uncertainty.

2.3.6 ***Events after the balance sheet date***

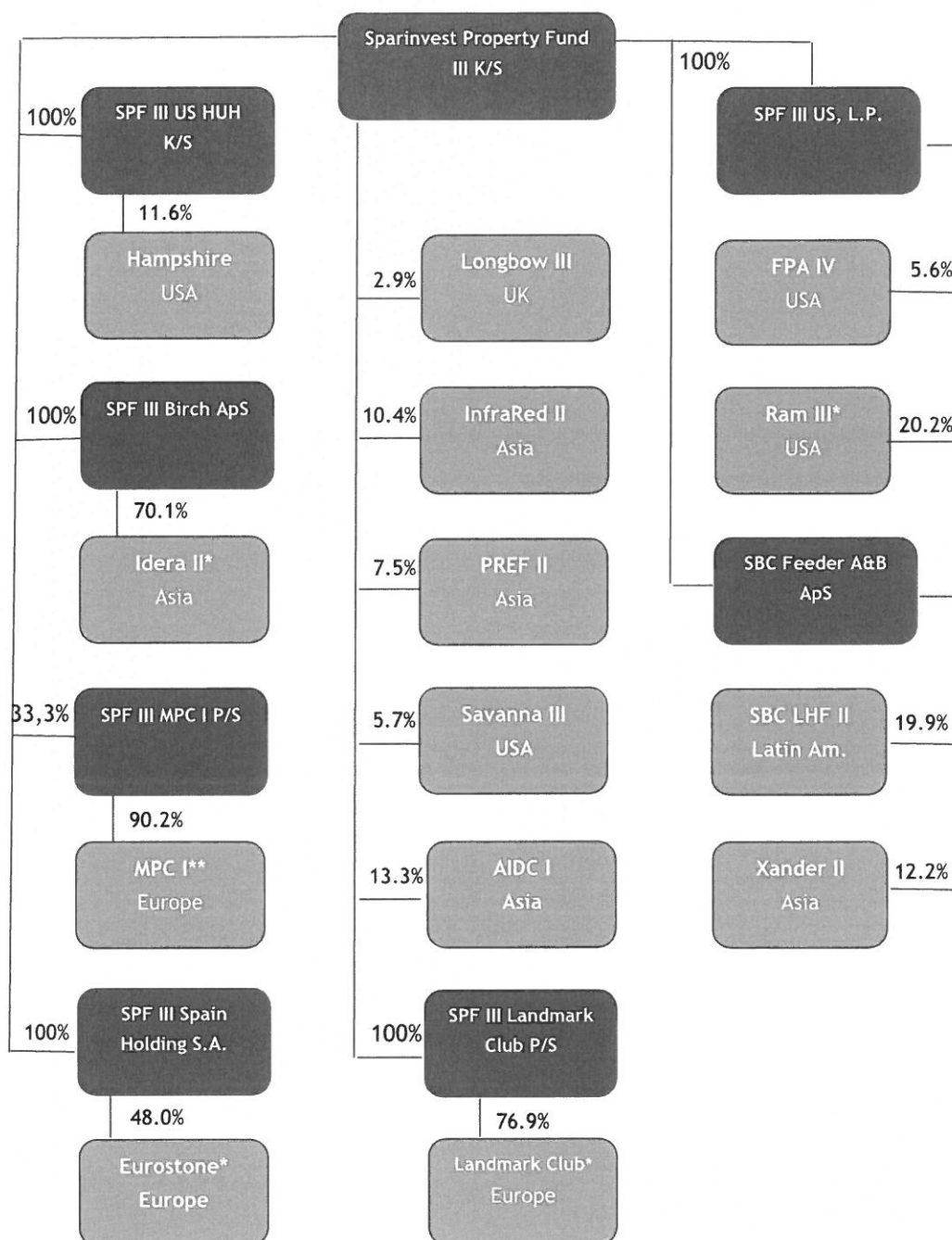
The management company of Sparinvest Property Fund III, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund III and Sparinvest Property Investors II A/S.

2.3.7 ***Outlook***

Going forward, we expect satisfying performance as the partners in the Fund will implement their business plans. Our expectations for the coming financial year is a total rate of return of 10-12% before exchange rate fluctuations.



## Investments



Note: The above percentages refer to Sparinvest Property Fund III K/S' ownership shares in each of the investments. The country/region specification refers to the location of the assets.

\*As a consequence of the structure of the company, its characteristics and its contractual agreement with the Fund, the company is considered not to have control over the Fund.

\*\*As a consequence of the structure of the company, its characteristics and its contractual agreement with the Fund, the company has no deciding influence on the Fund. The Fund is a joint venture to the company

## 2.5 Group financial highlights

EUR 1,000	30.09.2017	30.09.2016	30.09.2015	30.09.2014
Net operating income from properties	17,861	10,089	9,192	2,886
Fair value adjustment of properties and liabilities*	9,053	2,271	7,899	1,199
Impairment adjustments for associates and joint ventures	-354	625	0	0
Operating profit	25,071	11,353	15,390	1,662
Profit/loss from financial income and expenses	-7,211	24	11,694	5,057
<b>Profit for the year</b>	<b>17,860</b>	<b>11,378</b>	<b>27,084</b>	<b>6,720</b>
<b>Investments</b>	<b>215,285</b>	<b>231,005</b>	<b>170,113</b>	<b>86,795</b>
<b>Total assets</b>	<b>219,082</b>	<b>236,043</b>	<b>175,648</b>	<b>87,655</b>
Cash calls from limited partners	244,185	210,866	144,726	81,260
Equity called during the period	33,319	66,140	63,466	81,260
<b>Total equity</b>	<b>218,898</b>	<b>235,805</b>	<b>175,627</b>	<b>87,631</b>
<b>Non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>	<b>184</b>	<b>238</b>	<b>21</b>	<b>24</b>
Cash flows from operating activities	-1,791	-1,936	-2,050	-3,059
Net cash flows from investing activities, net	32,063	-30,188	-54,219	-62,542
Cash flows from financing activities	-31,637	31,512	60,911	81,260
<b>Total cash flows</b>	<b>-1,365</b>	<b>-612</b>	<b>5</b>	<b>15,662</b>
Weighted rate of return in %*	6.5	14.6	24.7	9.8
<i>*(Profit for the year/weighted investment in property investments)</i>				
DPI <i>(Total distributions/Gross contributions)</i>	0.42	0.18	0.02	0.00
TVPI <i>(Total distributions+NAV)/Gross contributions</i>	1.32	1.30	1.23	1.08

\* Fair value adjustments of properties and liabilities for 30.09.2015 has not been restated as a consequence of the changed accounting policies.

## 2.5.1

### ***Special risks***

#### **Operating risks**

The Fund's most significant operating risks are related to the development of the property market and general economic risks. During the investment period, the Fund mitigated the risks by diversified investments in the European, Americas and Asian markets.

#### **Financial risks**

Apart from liabilities relating to operating activities and trading activities, the Fund has no debt and investments are not leveraged. For each of the foreign property investments, no investments have been made in investments with leverage- the proportion between liabilities and assets - exceeding 70%. The leverage total for all property investments may not exceed 60%. The current leverage in the investments made in foreign property investments is 39.4%. Accordingly, the financial risk is assessed as moderate.

#### **Foreign exchange risks**

The Fund makes investments in foreign property investments in foreign currency. No hedging of foreign currency risks on long-term investments is made. At their own discretion, the Fund's investors may decide to hedge the underlying risk on an investment.

#### **Knowledge resources**

The Fund makes investments based on an overall assessment of potential property investments using a systematised selection method involving external consultants, when necessary. When selecting investments, the personal knowledge and competencies of the partners are decisive. Consequently, the Fund has ensured strong alignment of the partners through financial incentives.

#### **Environmental matters**

The Fund's operations have no direct environmental impact, but the Fund intends to contribute to a minimal environmental impact through its investment policy.

#### **Research and development activities**

During the financial year, the Fund had no research and development activities and none are expected in the coming financial year.

## 3 Accounting policies

The annual report of Sparinvest Property Fund III K/S has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

### **Changes in accounting policies**

In order to achieve a true and fair view of operations of the Fund, the presentation of the income statement has been changed compared to the reporting form shown in schedule 2 to the Danish Financial Act. Fair value adjustment of investment in property investments and liabilities and net operating income from properties is presented as an item under operating profit.

Effective 1 January 2016, the Fund has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

### **Investment in joint ventures and associates**

Investments in joint ventures and associates are measured at fair value, see section 41 of the Danish Financial Statements Act, and value adjustments are taken directly to equity. Value adjustments are made on a continuous basis, and revaluations and reversals relative to cost are now recognised in a special reserve under equity called "Revaluation reserve". Previously, these revaluations were recognised in the income statement. Write-downs are, as previously, recognised in the income statement.

Comparative figures have been restated in the income statement and notes to reflect the policy change. The accumulated effect of the above-mentioned change has been shown below:

### Income statement for the Group

	2016/17			2015/16		
	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
<b>EUR000</b>						
Net operating income from properties	17,861	0	17,861	10,089	0	10,089
Fair value adjustment of property investments	11,694	-2,641	9,053	17,263	-14,992	2,271
Impairment adjustments for associates and joint ventures	0	-354	-354	0	625	625
Administrative expenses	-1,489	0	-1,489	-1,632	0	-1,632
<b>Operating profit</b>	<b>28,066</b>	<b>-2,995</b>	<b>25,071</b>	<b>25,720</b>	<b>-14,367</b>	<b>11,353</b>
Profit from group entities	0	0	0	0		0
Profit from joint ventures	0	0	0	-118	118	0
Financial income	4,071	0	4,071	18,416	-5,175	13,241
Financial expenses	-17,408	6,126	-11,282	-15,350	2,134	-13,216
<b>Profit for the year</b>	<b>14,729</b>	<b>3,131</b>	<b>17,860</b>	<b>28,668</b>	<b>-17,290</b>	<b>11,378</b>

### Income statement for the Parent Company:

	2016/17			2015/16		
	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
<b>EUR'000</b>						
Net operating income from properties	5,376	0	5,376	2,755	0	2,755
Fair value adjustment of property investments	7,755	-2,304	5,451	1,719	-742	977
Impairment adjustments for associated entities and joint ventures	0	-354	-354	0	625	625
Administrative expenses	-603	0	-603	-764	0	-764
<b>Operating profit</b>	<b>12,528</b>	<b>-2,658</b>	<b>9,870</b>	<b>3,710</b>	<b>-118</b>	<b>3,592</b>
Profit from group entities	7,588	5,789	13,377	27,098	-17,290	9,808
Profit from joint ventures	0	0	0	-118	118	0
Financial income	1,554	0	1,554	7,030	0	7,030
Financial expenses	-6,941	0	-6,941	-9,052	0	-9,052
<b>Profit for the year</b>	<b>14,729</b>	<b>3,131</b>	<b>17,860</b>	<b>28,668</b>	<b>-17,290</b>	<b>11,378</b>

The change has not had any financial effect on the balance sheet or on equity for the two years in question.

Apart from the above-mentioned change, the accounting policies are consistent with those of last year.

The consolidated cash flow statement is only comprised of the Group in accordance with section 86(4) of the Danish Financial Statements Act.

#### **Basis of preparation**

The annual report has been presented in EUR, rounded to the nearest thousand.

#### **Recognition and measurement**

All income in relation to the financial year is recognised in the income statement as earned. Negative value adjustments in respect of investments in foreign property investments are also recognised in the income statement.

Equally, costs incurred to generate the year's earnings are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Fund and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits from the Fund is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below. In recognising and measuring assets and liabilities, expected losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

#### **Foreign currency translation**

EUR is used as the functional currency. Transactions denominated in other currencies than EUR are considered transactions denominated in foreign currencies.

On initial recognition, investments in property investments are translated to EUR at the exchange rates at the transaction date. Subsequent fair value adjustments of investments in property investments are recognised in the income statement at the same historical exchange rate to the effect that exchange rate adjustments do not affect the operating profit. Differences arising between the exchange rate at the balance sheet date and the historical exchange rate are recognised in the income statement as financial items. Financial items are specified in the note regarding financial income and expenses on investments in foreign property investments and other items.

Receivables, payables and other monetary items denominated in foreign currencies are translated to EUR at the exchange rate or forward price at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate in the

latest annual report is recognised in the income statement as financial income or expenses.

Investments in foreign property investments are translated at the exchange rate at the balance sheet date.

#### **Consolidated financial statements**

The consolidated financial statements comprise the Parent Company Sparinvest Property Fund III K/S and subsidiaries in which the Parent Company directly or indirectly holds the majority of the voting rights or which it, through shareholding or in some other way, controls.

On consolidation, similar items are aggregated. Intra-group income and expenses, shareholdings, dividends, balances and realised and unrealised gains on intra-group transactions are eliminated.

The Parent Company's investments in consolidated subsidiaries are set off against the Parent Company's share of the subsidiaries' equity value at the date when the subsidiary was acquired.

### 3.1

#### **Income statement**

##### **Net operating income from properties**

In the income statement, net operating income received from properties translated at the weighted historical exchange rates at the transaction date is recognised as income.

##### **Fair value adjustment of investments in property investments**

In the income statement, fair value adjustment of property investments translated at the weighted historical exchange rates at the transaction date for cash calls are recognised as income.

Value adjustments due to changes in exchange rates are recognised as financial income or expenses.

##### **Administrative expenses**

Administrative expenses comprise expenses for management fee to Sparinvest Property Investors II A/S, transaction costs in connection with investments, remuneration to the general partner and audit fee.

The Fund has entered into a management agreement regarding the Fund's activities. A fixed management fee is paid.

##### **Financial income and expenses**

Financial income and expenses comprise foreign exchange adjustments of investments in foreign property investments, other realised and unrealised foreign exchange adjustments and interest.

#### **Tax on profit/loss for the year**

Sparinvest Property Fund III K/S is not a separate entity subject to taxation. The tax liability in respect of the Fund's earnings is incumbent on the individual investors of the Fund. For this reason, no tax is calculated on the Fund's earnings, and withholding of foreign tax on dividends from property investments is charged directly to the Fund's investors.

### 3.2

#### **Balance sheet**

##### **Investments in subsidiaries**

Investments in subsidiaries are recognised and measured according to the equity method.

The proportionate ownership share of the subsidiaries' equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in subsidiaries".

The total net revaluation of investments in subsidiaries is transferred via distribution of profit to "Reserve for net revaluation according to the equity method" under equity. The reserve is reduced by distribution of dividends to the Parent Company and is adjusted by other changes in equity in subsidiaries.

##### **Investments in joint ventures**

Investments in joint ventures are recognised and measured according to the equity method.

The proportionate ownership share of the joint ventures equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in joint ventures".

The income statement reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated.

The aggregate of the Group's share of profit or loss of a joint venture is shown in the income statement and represents profit or loss after tax.

##### **Investments in associates**

On initial recognition, investments in associates are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.



The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

The proportionate ownership share of the associates equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in associates".

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

#### **Investments in foreign property investments**

On initial recognition, investments in property investments are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

#### **Loan to foreign property investments**

On initial recognition loan to foreign property investments are recognised in the balance sheet at fair value. Subsequently loan to foreign property investments are measured to amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of the loans.

#### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Receivables from limited partners regarding cash calls receivable, etc., are recognised at nominal value.

### **Equity**

Investments by limited partners are recognised when cash calls are made. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

The reserve for net revaluation according to the equity method is determined as the total net revaluation of investments in subsidiaries less distribution of dividends to the Parent Company and adjusted by other changes in equity in subsidiaries.

Fair value adjustments of investments in associates are made on a continuous basis, and revaluations and reversals relative to cost are recognised in a special reserve under equity called "Revaluation reserve".

Dividends for the year are disclosed as a separate item under proposed distribution of profit for the year.

### **Liabilities**

Liabilities (current and non-current) are included when the Fund, as a consequence of an event occurring no later than on the balance sheet date, has a legal or constructive obligation and an outflow of economic benefits from the Fund to settle the obligation is probable. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

### **Cash flow statement**

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning of the year and the statement shows the cash position at the end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated as profit/loss for the year adjusted for changes in working capital and non-cash operating items such as value adjustments. The working capital comprises fixed assets minus current liabilities - excluding items included in cash and cash equivalents.

#### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from and to investments in property investments.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from and to the investors.

### Accounting estimates and judgements

The determination of the carrying amount of property investments and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on fair value calculations from property investments, historical experiences and other factors assessed by Management to be reliable in the circumstances, but which by nature are associated with uncertainty and unpredictability.

The assumptions made may prove incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Fund is subject to risks and uncertainties, which may lead to actual results differing from the estimates. Particular risks for Sparinvest Properties Fund III K/S are mentioned in the Management's review.

It may be necessary to change previously made estimates as a consequence of changes in the circumstances on which the previous estimates were based or due to new knowledge or subsequent events.

Estimates essential to the financial reporting may for example comprise determination of the value of the underlying investments in foreign property investments. Because of the measurement principles used, the calculation of fair value will be subject to uncertainty.

## 4 Consolidated financial statement and Parent Company financial statement for 1 October 2016 - 30 September 2017

### 4.1 Income statement

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
1	Net operating income from properties	17,861	10,089	5,376	2,755
2	Fair value adjustment of foreign investment properties	9,053	2,271	5,451	977
3	Impairment adjustments for associates and joint ventures	-354	625	-354	625
4	Administrative expenses	-1,489	-1,631	603	764
	<b>Operating profit</b>	<b>25,071</b>	<b>11,353</b>	<b>9,870</b>	<b>3,593</b>
	Profit from group entities	0	0	13,377	9,809
	Profit from joint ventures	0	0	0	0
5	Financial income	4,071	13,241	1,554	7,031
6	Financial expenses	11,282	13,216	6,939	9,051
	<b>Profit for the year</b>	<b>17,860</b>	<b>11,378</b>	<b>17,860</b>	<b>11,378</b>
<b>Proposed distribution of the profit for the year</b>					
	Dividend to limited partners	20,202	12,577	20,202	12,577
	Charged the limited partners	0	-500	0	-500
	Retained earnings	-2,342	-699	-15,719	-10,508
	Reserve for net revaluation, equity method	0	0	13,377	9,809
	<b>Total distribution</b>	<b>17,860</b>	<b>11,378</b>	<b>17,860</b>	<b>11,378</b>

## 4.2

## Balance sheet

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	<b>Assets</b>				
	<b>Non-fixed assets</b>				
	<b>Investments</b>				
7	Investments in subsidiaries	0	0	88,843	92,458
8	Investments in joint ventures	7,209	5,321	18,104	13,958
9	Investments in associates	62,461	81,287	6,621	5,859
10	Investments in foreign property investments	110,379	98,116	44,347	44,383
11	Loan to foreign property investments	35,235	46,281	24,340	37,645
	<b>Total investments</b>	<b>215,285</b>	<b>231,005</b>	<b>182,255</b>	<b>194,303</b>
	<b>Total non-fixed assets</b>	<b>215,285</b>	<b>231,005</b>	<b>182,255</b>	<b>194,303</b>
	Receivables in subsidiaries and joint ventures	0	0	28,116	39,395
	Other receivables	626	501	529	501
	Cash at bank and in hand	3,171	4,536	8,046	1,641
	<b>Total fixed assets</b>	<b>3,797</b>	<b>5,037</b>	<b>36,691</b>	<b>41,537</b>
	<b>Total assets</b>	<b>219,082</b>	<b>236,043</b>	<b>218,947</b>	<b>235,840</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	<b>Equity and liabilities</b>				
	<b>Equity</b>				
	Investments by limited partners	244,185	210,866	244,185	210,866
	Reserve for net revaluation, equity method	0	0	42,990	29,613
	Retained earnings	-25,287	24,939	-68,276	-4,673
12	<b>Total equity</b>	<b>218,898</b>	<b>235,805</b>	<b>218,898</b>	<b>235,805</b>
	<b>Liabilities</b>				
	<b>Current liabilities</b>				
	Other payables	184	238	49	35
	<b>Total current liabilities</b>	<b>184</b>	<b>238</b>	<b>49</b>	<b>35</b>
	<b>Total liabilities</b>	<b>184</b>	<b>238</b>	<b>49</b>	<b>35</b>
	<b>Total equity and liabilities</b>	<b>219,082</b>	<b>236,043</b>	<b>218,947</b>	<b>235,840</b>

- 13 Contingent assets, liabilities and security
- 14 Related parties
- 15 Currency and interest rate risks and use of derivative financial instruments
- 16 Events after the balance sheet date
- 17 Exemption from filing requirements

## 4.3 Cash flow statement

### Group

EUR 1,000	30 Sept. 2017	30 Sept. 2016
Profit	17,860	11,378
<b>Adjustment for non-cash operating items</b>		
Value adjustment of property investments and loans	-30,887	-15,175
Impairment adjustments for associates and joint ventures	354	-625
Unrealised exchange adjustments of property investments and loans	11,061	2,385
Profit from joint ventures	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-1,612</b>	<b>-2,038</b>
<b>Changes in working capital</b>		
Changes in receivables	-125	-115
Changes in current liabilities	-54	217
<b>Cash flow from operating activities</b>	<b>-1,791</b>	<b>-1,936</b>
Disposal of investments in associates	15,696	-23,427
Acquisition of investments in property investments	-38,192	-20,311
Loan for foreign property investments and joint ventures	8,824	-19,875
Disposal of investments in property investments	23,900	20,522
Distribution from associates, property investments and loans	21,835	12,903
<b>Cash flow from investing activities</b>	<b>32,063</b>	<b>-30,188</b>
<b>External financing</b>		
Investments by limited partners	33,319	66,140
Exits to limited partners	-44,754	-22,551
Dividend to limited partners	-20,202	-12,077
<b>Cash flow from financing activities</b>	<b>-31,637</b>	<b>31,512</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>-1,365</b>	<b>-612</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,536</b>	<b>5,149</b>
Net cash flows from operating, investing and financing activities	-1,365	-612
<b>Cash and cash equivalents at 30 September</b>	<b>3,171</b>	<b>4,536</b>

## 5 Notes

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>1</b>	<b>Net operating income from properties</b>				
	Longbow UK Real Estate Debt Investments III	1,994	2,185	1,994	2,185
	Ram Realty Partners III LP	6,519	0	0	0
	FPA Apartment Opportunity Fund IV	2,694	4,506	0	0
	Infrared NF China Real Estate Fund II	2,082	570	2,082	570
	Idera Residential Partnership II	811	781	0	0
	Hampshire U.S. Real Estate Income Fund	2,302	1,565	0	0
	Pamfleet Real Estate Fund II	111	0	111	0
	Savanna Real Estate Fund III	0	0	0	0
	The Landmark Club	0	197	0	0
	SBC Latin America Housing Fund II	0	0	0	0
	Eurostone Residential Partnership	1,188	0	1,188	0
	Xander JV Fund II	160	285	0	0
	AREA Industrial Development Club I	0	0	0	0
		<b>17,861</b>	<b>10,089</b>	<b>5,376</b>	<b>2,755</b>
<b>2</b>	<b>Fair value adjustment of investments in foreign property investments</b>				
	Longbow UK Real Estate Debt Investments III	-187	-21	-187	-21
	FPA Apartment Opportunity Fund IV	-1,150	820	0	0
	Infrared NF China Real Estate Fund II	3,633	-286	3,633	-286
	Hampshire U.S. Real Estate Income Fund	146	674	0	0
	Pamfleet Real Estate Fund II	1,568	76	1,568	76
	Savanna Real Estate Fund III	187	1,299	187	1,299
	SBC Latin America Housing Fund II	69	-363	0	0
	Xander JV Fund II	4,537	165	0	0
	AREA Industrial Development Club I	250	-92	250	-92
		<b>9,053</b>	<b>2,271</b>	<b>5,451</b>	<b>977</b>
<b>3</b>	<b>Impairment adjustments for associates and joint ventures</b>				
	Impairment adjustments for associates*	0	742	0	742
	Impairment adjustments for joint venture operations	-354	-118	-354	-118
		<b>-354</b>	<b>625</b>	<b>-354</b>	<b>625</b>



Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
4	<b>Administrative expenses</b>				
	Management fee Sparinvest Property Investors II A/S	1,374	1,404	579	691
	Administrative expenses	115	227	24	73
	<b>Total administrative expenses</b>	<b>1,489</b>	<b>1,631</b>	<b>603</b>	<b>764</b>
	<b>Fees for auditors appointed by the annual general meeting</b>				
	<b>Total fee for EY (incl. VAT)</b>	<b>65</b>	<b>76</b>	<b>42</b>	<b>63</b>
	<b>Specified as follows:</b>				
	Audit	36	19	18	15
	Other assistance	29	57	24	48
	<b>Total</b>	<b>65</b>	<b>76</b>	<b>42</b>	<b>63</b>

Management remuneration is settled through the fee to the General Partner amounting to EUR 4.3 thousand.

5	<b>Financial income</b>				
	Unrealised foreign exchange gains, property investments and loans	0	7.700	20	4,401
	Realised foreign exchange gains, property investments	3,973	2,931	61	75
	Other foreign exchange gains	98	2,610	0	504
	Interest income from subsidiaries	0	0	1,473	2,051
	Other financial income	0	0	0	0
	<b>Total financial income</b>	<b>4,071</b>	<b>13.241</b>	<b>1,554</b>	<b>7,031</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>6</b>	<b>Financial expenses</b>				
	Interest losses	221	270	200	269
	Unrealised foreign exchange losses, property investments	11,061	10,083	5,634	6,758
	Realised foreign exchange losses, property investments	0	117	0	36
	Other foreign exchange losses	0	2,746	1,107	1,988
	<b>Total financial expenses</b>	<b>11,282</b>	<b>13,216</b>	<b>6,941</b>	<b>9,051</b>
<b>7</b>	<b>Investments in subsidiaries</b>				
	Acquisition cost at the beginning of the financial year	0	0	45,292	48,317
	Additions during the year	0	0	0	0
	Disposals during the year	0	0	-11,204	-3,025
	<b>Acquisition cost at year end</b>	<b>0</b>	<b>0</b>	<b>34,088</b>	<b>45,292</b>
	Value adjustments at the beginning of the financial year	0	0	47,166	20,067
	Profit for the year	0	0	13,377	9,809
	Value adjustments	0	0	-5,788	17,290
	Distributed from the profit for the year	0	0	0	0
	<b>Value adjustments at year end</b>	<b>0</b>	<b>0</b>	<b>54,755</b>	<b>47,166</b>
	<b>Carrying amount at 30 September</b>	<b>0</b>	<b>0</b>	<b>88,843</b>	<b>92,458</b>

Investments in subsidiaries regard the 100% ownership in SPF III US, L.P, which has place of residence in USA, and 100% ownership in SPF III Birch ApS, SPF III US HUH K/S, SPF III Landmark Club and SBC II Feeder A ApS & SBC II Feeder B ApS, which all have place of residence in Denmark.

Name	Region	Carrying amount at		Carrying amount at	
		30/9 2017	Ownership	30/9 2016	Ownership
SPF III US, L.P.	USA	12,964	100.00%	20,729	100.00%
SPF III Birch ApS	Asia	14,428	100.00%	15,589	100.00%
SPF III US HUH K/S	USA	34,885	100.00%	34,075	100.00%
SPF III Landmark Club	Europe	20,903	100.00%	18,307	100.00%
SBC Feeder A ApS	Latinam.	2,831	100.00%	1,879	100.00%
SBC Feeder B ApS	Latinam.	2,831	100.00%	1,879	100.00%
<b>Total</b>		<b>88,843</b>		<b>92,458</b>	

EUR 1,000	Group		Parent Company	
	30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>8 Investments in joint ventures</b>				
Acquisition cost at the beginning of the financial year	5,550	2,539	14,186	3,386
Additions during the year	2,242	3,011	4,501	10,800
Disposals during the year	0	0	0	0
<b>Acquisition cost at year end</b>	<b>7,792</b>	<b>5,550</b>	<b>18,687</b>	<b>14,186</b>
Value adjustments at the beginning of the financial year	-229	-111	-229	-111
Profit for the year	-354	-118	-354	-118
Distributed from the profit for the year	0	0	0	0
Disposals during the year	0	0	0	0
<b>Value adjustments at year end</b>	<b>-583</b>	<b>-229</b>	<b>-583</b>	<b>-229</b>
<b>Carrying amount at 30 September</b>	<b>7,209</b>	<b>5,321</b>	<b>18,104</b>	<b>13,958</b>

Investments in joint ventures regard the 30.1% ownership in MPC I, which has place of residence in Germany.

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
9	<b>Investments in associates</b>				
	Acquisition cost at the beginning of the financial year	53,187	40,254	5,870	2,845
	Additions during the year	0	23,427	0	3,025
	Disposals during the year	-15,696	-10,494	-1,896	0
	<b>Acquisition cost at year end</b>	<b>37,491</b>	<b>53,187</b>	<b>3,974</b>	<b>5,870</b>
	Value adjustments at the beginning of the financial year	28,100	10,068	-11	-753
	Value adjustments	8,075	20,477	3,846	742
	Distributed	-11,205	-2,445	-1,188	0
	<b>Value adjustments at year end</b>	<b>24,970</b>	<b>28,100</b>	<b>2,647</b>	<b>-11</b>
	<b>Carrying amount at 30 September</b>	<b>62,461</b>	<b>81,287</b>	<b>6,621</b>	<b>5,859</b>
	<i>Value adjustments recognised over the income statement are specified as follows:</i>				
	Net operating income from properties	8,518	978	1,188	-
	Impairment adjustments for associates	0	742	0	742
	Realised foreign exchange adjustment property investments	2,687	1,467	0	-
		<b>11,205</b>	<b>3,187</b>	<b>1,188</b>	<b>742</b>
	<i>Value adjustments recognised in the equity are specified as follows:</i>				
	Fair value adjustments of properties and liabilities	2,995	14,249	2,658	-
	Unrealised foreign exchange income, property investments	0	5,175	0	-
	Unrealised foreign exchange losses, property investments	-6,126	-2,135	0	-
		<b>-3,131</b>	<b>17,290</b>	<b>2,658</b>	<b>-</b>
	<b>Total value adjustments</b>	<b>8,074</b>	<b>20,477</b>	<b>3,846</b>	<b>742</b>

Name	Region	Carrying amount at		Carrying amount at	
		30/9 2017	Ownership	30/9 2016	Ownership
Eurostone Residential Partnership	Europe	6,621	48.0%	5,859	48.0%
<b>Total Parent Company</b>		<b>6,621</b>		<b>5,859</b>	
Ram Realty Partners III LP	USA	6,379	20.2%	22,329	20.2%
Idera Residential Partnership II	Asia	23,923	69.8%	30,253	69.8%
The Landmark Club	Europe	25,538	76.9%	22,846	76.9%
<b>Total Group</b>		<b>62,461</b>		<b>81,287</b>	

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
10	<b>Investments in foreign property investments</b>				
	Acquisition cost at the beginning of the financial year	80,365	70,083	39,220	25,470
	Additions during the year	38,192	20,311	16,554	14,512
	Disposals during the year	-23,900	-10,028	-16,408	-762
	<b>Acquisition cost at year end</b>	<b>94,657</b>	<b>80,365</b>	<b>39,366</b>	<b>39,220</b>
	Value adjustments at the beginning of the financial year	17,750	14,308	5,163	2,988
	Value adjustments	7,345	11,781	2,812	2,848
	Distribution from property funds	-9,374	-8,338	-2,993	-673
	<b>Value adjustments at year end</b>	<b>15,722</b>	<b>17,750</b>	<b>4,981</b>	<b>5,163</b>
	<b>Carrying amount at 30 September</b>	<b>110,379</b>	<b>98,116</b>	<b>44,347</b>	<b>44,383</b>
	<i>Value adjustments are specified as follows:</i>				
	Fair value adjustments of properties and liabilities	9,053	2,271	5,451	976
	Net operating income from properties	7,349	6,954	2,194	598
	Realised foreign exchange adjustment property investments	2,024	1,384	799	75
	Unrealised foreign exchange income, property investments	0	7,700	0	4,401
	Unrealised foreign exchange losses, property investments	-11,081	-6,528	-5,632	-3,202
	<b>Total value adjustments</b>	<b>7,345</b>	<b>11,781</b>	<b>2,812</b>	<b>2,848</b>

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
Longbow UK Real Estate Debt Investments III	UK	27	2.9%	213	2.9%
Infrared NF China Real Estate Fund II	Asia	8,576	10.4%	18,305	10.4%
Pamfleet Real Estate Fund II	Asia	13,485	7.5%	7,811	7.5%
Savanna Real Estate Fund III	USA	18,069	5.7%	15,577	5.7%
AREA Industrial Development Club I	Asia	4,191	13.3%	2,477	13.3%
<b>Total Parent Company</b>		<b>44,347</b>		<b>44,383</b>	
FPA Apartment Opportunity Fund IV	USA	6,948	5.6%	12,931	5.6%
Hampshire U.S. Real Estate Income Fund	USA	31,102	11.6%	33,823	11.6%
SBC Latin America Housing Fund II	Latin Am.	5,559	19.9%	3,823	19.9%
Xander JV Fund II	Asia	22,423	12.2%	3,156	12.2%
<b>Total Group</b>		<b>110,379</b>		<b>98,116</b>	

On initial recognition, property investments are measured at cost translated at the exchange rates at the transaction date. Subsequently property investments are measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each Fund based on the fair value of the net assets in the fund comprising underlying properties and related liabilities.

SPF III invests in managed real estate funds, which are not quoted on an active market. The investments in these funds will generally be classified as Level 3 in the fair value hierarchy. The valuation models applied for the real estate funds assets will typically be based on (i) discounted cash flow analysis; (ii) direct capitalisation method; and/or (iii) comparable sales method. The real estate funds reflect its real estate equity investments net of investment level financing. Increases or decreases in any of the assumptions in isolation would result in a lower or higher fair value measurement.

The real estate funds generally invest in real estate and real estate related investments for which there is no liquid market. The market price for such investments may not be readily ascertainable. As a result, amounts ultimately realised by the fund from investments sold may differ from the fair value presented and the difference could be material.

The review of the valuation process is performed by the management of Sparinvest Property Investors A/S ("SPI"). SPI considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate.

SPI bases their ongoing review of the valuation process on the information reported from the real estate funds in their annual financial statements and quarterly reports. In SPI's review of the valuation process, the obtained reported information is compared to what is budgeted or expected by the management of SPI and, if the information is not in accordance with what is expected, the management engages in dialog with the real estate funds in order to clarify any irregularities. At least once every year, SPI ensures that an external valuation of all the assets in the funds is carried out.

The following table shows information about the by the real estate funds used unobservable inputs related to the fair value measurement at 30 September 2017 as per their quarterly reports:

## Foreign property investments:

At 30 September 2017

	Type	Asset class	Valuation techniques	Unobservable inputs	Weighted average	Vacancy
Longbow III UK	Investments in real estate loans	Loan	Principal and capitalised interest	N/A	N/A	N/A
InfraRed II Asia	Investments in real estate equity	Hotel	DCF	a) Discount rate b) Cap.rate c) Rent escalation	a) 7% b) 4% c) 4.5%	8.1%
	Investments in mezzanine loan	Loan	DCF	Discount rate	18% - 20%	8.1%
PREF II Asia	Investment in real estate equity	Residential Office Retail	DCF Income cap Income cap	a) Discount rate b) Cap.rate c) Cap.rate	a) 9.0% b) 3.5% c) 4.0%	27.2%
		Office	Discounted cash flow	a) Disc. Rate b) Terminal capitalisation rate	a) 7.31% b) 5.90%	27.2%
Savanna Real Estate Fund III	Investment in real estate equity	Retail	Discounted cash flow	a) Discount rate b) Terminal capitalisation rate	a) 8.60% b) 5.50%	N/A
		Land	Comparables discounted cash flow	Price per square foot	USD 465	N/A
		Development	Discounted cash flow	a) Loan to cost ratio b) Credit spread	a) 54.70% b) 12.50%	N/A
AIDC I Asia	Investment in real estate equity	Land	Market comparable	Price per square foot	RMB 130.4	100.0%
FPA IV USA	Investment in real estate equity	Residential	Cap method Under contract	a) Cap rate b) Quoted price	a) 5.79% b) N/A	10.0%
SBC LHF II Latin Am.	Real estate development	Residential	DCF	Discount rate	15.5% - 18.1%	53,7%

	Type	Asset class	Valuation techniques	Unobservable inputs	Weighted average	Vacancy
Hampshire U.S. Real Estate Income Fund	Wholly-owned real estate investments	Retail	Discounted cash flow	Discount rate	7.42%	
			Capitalisation	Capitalisation rate	6.30%	
			Blended	Discounted rate	7.69%	
	Investments in real estate venture	Industrial	Discounted cash flow	Discount rate	7.50%	
			Direct capitalisation	Capitalisation rate	6.25%	
	Retail	Discounted cash flow	Discount rate	9.75%		
	Retail	Direct capitalisation	Capitalisation rate	9.10%		
Xander II Asia	Investments in real estate equity	Office	DCF	a) Discount rate b) Rent escalation c) Term.cap rate	a) 13.0% b) 5.0% c) 9.5%	0.0%



Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
11	<b>Loan to foreign property investments</b>				
	Loan at the beginning of the financial year	47,342	30,478	38,705	29,630
	Loan during the year	2,258	16,864	0	9,075
	Payment during the period	-13,324	0	-13,324	0
	<b>Loan at year end</b>	<b>36,276</b>	<b>47,342</b>	<b>25,381</b>	<b>38,705</b>
					-
	Value adjustments at the beginning of the financial year	-1,060	2,496	-1,060	2,496
	Value adjustments	1,275	-1,436	1,275	-1,436
	Distribution from loans	-1,256	-2,120	-1,256	-2,120
	<b>Value adjustments at year end</b>	<b>-1,041</b>	<b>-1,060</b>	<b>-1,041</b>	<b>-1,060</b>
					-
	<b>Carrying amount at 30 September</b>	<b>35,235</b>	<b>46,281</b>	<b>24,340</b>	<b>37,645</b>
	<i>Value adjustments are specified as follows:</i>				
	Net operating income from loans	1,994	2,157	1,994	2,157
	Realised foreign exchange adjustment loans	-738	-36	-738	-36
	Unrealised foreign exchange income, loans	20	0	20	0
	Unrealised foreign exchange losses, loans	0	-3,556	0	-3,556
	<b>Total value adjustments</b>	<b>1,275</b>	<b>-1,435</b>	<b>1,275</b>	<b>-1,435</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
12	<b>Equity</b>				
	<b>The Company's equity capital</b>				
	Equity called at the beginning of the financial year	210,866	144,726	210,866	144,726
	Equity called during the period	33,319	66,140	33,319	66,140
		<b>244,185</b>	<b>210,866</b>	<b>244,185</b>	<b>210,866</b>
	<b>Reserve for net revaluation according to the equity method</b>				
	Reserve for net revaluation according to the equity method at the beginning of the financial year	0	0	29,613	19,804
	Transferred according to distribution of the profit	0	0	13,377	9,809
		<b>0</b>	<b>0</b>	<b>42,990</b>	<b>29,613</b>
	<b>Retained earnings</b>				
	Retained earnings at the beginning of the financial year	24,939	30,900	-4,673	11,096
	Distributions, exits in foreign property investments	-44,754	-22,551	-44,754	-22,551
	Fair value adjustments of properties and liabilities	-3,131	17,290	-3,131	17,290
	Transferred according to distribution of the profit	-2,341	-700	-15,719	-10,508
	<b>Total retained earnings</b>	<b>-25,287</b>	<b>24,939</b>	<b>-68,277</b>	<b>-4,673</b>
	<b>Total equity</b>	<b>218,898</b>	<b>235,805</b>	<b>218,898</b>	<b>235,805</b>

At the balance sheet date, allocated carried interest amounted to approx.. EUR 3,486 thousand. In case of liquidation of the Fund, the amount would be redistributed between A and B shares at the balance sheet date. Carried interest will only be relevant in case it is earned over the total lifetime of the Fund and, in that case, it will be paid in connection with the liquidation of the Fund.

The subscribed capital consists of 317,330 shares of EUR 1,000 each and is specified as follows:

<b>Total subscribed capital</b>	<b>317,330</b>
<b>Equity called</b>	<b>244,185</b>
<b>Commitments for additional investments</b>	<b>73,145</b>

Limited partners holding more than 5% of the subscribed capital:

AP Pension  
 Sampension  
 Lærernes Pension Forsikringsaktieselskab  
 Pensionskassen for Sygeplejersker og Lægeseekretærer  
 Pensionskassen for Socialrådgivere/-Pædagoger og Kontorpersonale

### 13 Contingent assets, liabilities and security

EUR million Fund	Commitment		Residual commitment	
	Currency	EUR	Currency	EUR
Longbow UK Real Estate Debt Investments III	GBP 12.3	15.0	GBP 0	0
Infrared NF China Real Estate Fund II	CNY 61.6	7.8	CNY 29.0	3.7
Pamfleet Real Estate Fund II	HKD 231.5	26.2	HKD 115.2	12.5
Savanna Real Estate Fund III	USD 25.0	21.6	USD 6.0	5.1
Eurostone Residential Partnership	EUR 14.4	14.4	EUR 0.1	0.1
AREA Industrial Development Club I	USD 20.0	17.3	USD 15.0	12.7
<b>Total Parent Company</b>		<b>102.3</b>		<b>34.1</b>
Ram Realty Partners III LP	USD 5.6	4.5	USD 3.3	2.8
FPA Apartment Opportunity Fund IV	USD 5.3	4.3	USD 0.8	0.7
Hampshire U.S. Real Estate Income Fund	USD 32.8	25.6	USD 1.0	0.9
Idera Residential Partnership II	JPY 2,359	17,8	JPY 0,018	0.1
MPC Student Housing Joint Venture I	EUR 20.0	20.0	EUR 1.3	1.3
The Landmark Club	EUR 17.0	17.0	EUR 3.5	3.5
SBC Latin America Housing Fund II	USD 24.9	21.4	USD 18.3	15.5
Xander JV Fund II	USD 24.7	22.8	USD 2.3	2.0
<b>Total</b>		<b>235.7</b>		<b>60.8</b>

#### 14 Related parties

Sparinvest Property Fund III K/S has the following related parties exercising control:

SPF III GP ApS, registration no. 35 38 37 19, is general partner in Sparinvest Property Fund III K/S. As general partner, the company has the general management responsibility for Sparinvest Property Fund III K/S. However, a management agreement with a management company was entered when founding Sparinvest Property Fund III K/S, see below. As general partner, BMK 3 ApS receives a return on loan capital. Transactions have been made on an arm's length basis.

On behalf of SPF III GP ApS, Sparinvest Property Investors II A/S, registration no. 32 46 88 88, has entered into an agreement with Sparinvest Property Fund III K/S on management of Sparinvest Property Fund III K/S. As management company, Sparinvest Property Investors II A/S receives a fee calculated as a percentage of obtained commitments to invest in foreign property investments. Transactions have been made on an arm's length basis. No other transactions between Sparinvest Property Fund III K/S and Sparinvest Property Investors II A/S have taken place.

BMK Holding ApS, registration no. 29 24 30 34, owns 30% of the share capital in Sparinvest Property Investors II A/S. No transactions between the companies have taken place during the financial year.

##### Investor Board and partners

The Fund's Investor Board does not receive any fees. The partners receive fees from the administration company in accordance with the administration agreement made with the management company.

##### Other related parties

The Fund's other related parties comprise the Sparinvest Group. No transactions between the companies have taken place during the financial year.

The Fund's other related parties comprise the owners of BMK Holding ApS and SPF III GP ApS. These are BWJ Holding ApS, registration no. 28 48 79 32, MR ApS, registration no. 28 70 16 67, KDJ ApS, registration no. 28 70 10 04, which holds equal shares of the capital in BMK Holding ApS and SomeCapital OY, which, in addition to the 3 first-mentioned, is part owner of SPF III GP ApS. In addition, other related parties comprise the Groups Sparinvest Property Fund K/S, registration no. 29 31 60 58, and Sparinvest Property Fund II K/S, registration no. 32 47 15 60, as parent companies. No transactions between the companies have taken place during the financial year.

#### 15 Currency and interest rate risks and use of derivative financial instruments

As a consequence of its operating activities, investments and financing activities the Fund is exposed to currency risks and interest rate risks. The Fund's policy is not to hedge against the exposure to financial risks. This hedging is made independently by the Fund's investors. However, active speculation in financial risks is not made. The Fund's financial management is only directed at management of those financial risks arising as a consequence of the Company's operating activities.

#### 16 Events after the balance sheet date

The management company of Sparinvest Property Fund III, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund III and Sparinvest Property Investors II A/S.

#### 17 Exemption from filling requirements

Pursuant to section 5(1) of the Danish Financial Statements Act, no annual report for the subsidiary SPF III US HUH K/S has been prepared.