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# ***Herlev - Big Shopping PropCo ApS***

Frederiksgade 17, DK-1265 Copenhagen

## **Annual Report for 1 January - 31 December 2016**

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CVR No 35 39 26 61

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
8 /3 2017

Henrik Tilsted Knudsen  
Chairman



**pwc**

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# Management's Statement

The Executive Board has today considered and adopted the Annual Report of Herlev - Big Shopping PropCo ApS for the financial year 1 January - 31 December 2016.

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 at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 8 March 2017

## Executive Board

Peter James Todd  
Director

Mikkel Skat Skov  
Director

Christian Ulrich Brandt Birger-  
Christensen  
Director

# Independent Auditor's Report

To the Shareholder of Herlev - Big Shopping PropCo ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Herlev - Big Shopping PropCo ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

## 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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

# Independent Auditor's Report

## 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- 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 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.

Hellerup, 8 March 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jesper Wiinholt  
State Authorised Public Accountant

Maj-Britt Nørskov Nannestad  
State Authorised Public Accountant

## **Company Information**

### **The Company**

Herlev - Big Shopping PropCo ApS  
Frederiksgade 17  
DK-1265 Copenhagen

CVR No: 35 39 26 61  
Financial period: 1 January - 31 December  
Incorporated: 1 July 2013  
Financial year: 3rd financial year  
Municipality of reg. office: Copenhagen

### **Executive Board**

Peter James Todd  
Mikkel Skat Skov  
Christian Ulrich Brandt Birger-Christensen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Management's Review

## Main activity

The main activity of the Company is investment and development of property.

## Development in the year

The income statement of the Company for 2016 shows a profit of DKK 44,010,572, of which value adjustments amount to DKK 25,109,660, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 424,592,583.

As the company is engaged in development of investment properties, the Company is affected by changes in the property market, including the general level of interest rates and economic conditions. For a description of significant assumptions for the fair value recognition as 31 December 2016 please refer to note 4.

## Uncertainty relating to recognition and measurement

Investment properties are recognised at fair value. Fair value is determined based on discount models. Reference is made to note 4 for a sensitivity analysis of uncertainties related to the determination of fair value.

For a description of the uncertainties associated with the recognition and measurement of the Company's investment property please refer to the description in note 1.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 January - 31 December

	Note	2016 DKK	2015 DKK
<b>Gross profit/loss before value adjustments</b>		<b>53.434.452</b>	<b>-6.371.078</b>
Value adjustments of assets held for investment		25.109.660	335.022.681
<b>Gross profit/loss after value adjustments</b>		<b>78.544.112</b>	<b>328.651.603</b>
Financial income	1	3.835	18.101
Financial expenses	2	-22.123.265	-10.776.479
<b>Profit/loss before tax</b>		<b>56.424.682</b>	<b>317.893.225</b>
Tax on profit/loss for the year	3	-12.414.110	-74.510.514
<b>Net profit/loss for the year</b>		<b>44.010.572</b>	<b>243.382.711</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	12.000.000	0
Retained earnings	32.010.572	243.382.711
	<b>44.010.572</b>	<b>243.382.711</b>

# Balance Sheet 31 December

## Assets

	Note	2016 DKK	2015 DKK
Investment properties		1.159.600.000	1.120.000.000
<b>Property, plant and equipment</b>	4	<b>1.159.600.000</b>	<b>1.120.000.000</b>
<b>Fixed assets</b>		<b>1.159.600.000</b>	<b>1.120.000.000</b>
Trade receivables		80.989	3.099.206
Receivables from group enterprises		1.404.076	15.014.081
Other receivables		3.446.715	2.815.798
Prepayments		6.691.621	0
<b>Receivables</b>		<b>11.623.401</b>	<b>20.929.085</b>
<b>Cash at bank and in hand</b>		<b>25.082.748</b>	<b>56.419.329</b>
<b>Currents assets</b>		<b>36.706.149</b>	<b>77.348.414</b>
<b>Assets</b>		<b>1.196.306.149</b>	<b>1.197.348.414</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		5.080.000	80.000
Retained earnings		407.512.583	243.332.011
Proposed dividend for the year		12.000.000	0
<b>Equity</b>	<b>5</b>	<b><u>424.592.583</u></b>	<b><u>243.412.011</u></b>
Provision for deferred tax		100.962.737	89.494.194
<b>Provisions</b>		<b><u>100.962.737</u></b>	<b><u>89.494.194</u></b>
Credit institutions		635.289.923	119.744.331
Payables to group enterprises		0	267.276.022
Deposits		1.763.955	1.712.700
Other payables, long-term		5.050.000	12.662.603
<b>Long-term debt</b>	<b>6</b>	<b><u>642.103.878</u></b>	<b><u>401.395.656</u></b>
Credit institutions	6	18.719.472	441.702.849
Trade payables		101.698	15.881.370
Corporation tax		945.566	0
Other payables	6	8.880.215	5.462.334
<b>Short-term debt</b>		<b><u>28.646.951</u></b>	<b><u>463.046.553</u></b>
<b>Debt</b>		<b><u>670.750.829</u></b>	<b><u>864.442.209</u></b>
<b>Liabilities and equity</b>		<b><u>1.196.306.149</u></b>	<b><u>1.197.348.414</u></b>
Contingent assets, liabilities and other financial obligations	7		

## Statement of Changes in Equity

	Share capital	Share premium account	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	0	243.332.011	0	243.412.011
Cash capital increase	5.000.000	132.170.000	0	0	137.170.000
Net profit/loss for the year	0	0	32.010.572	12.000.000	44.010.572
Transfer from share premium account	0	-132.170.000	132.170.000	0	0
<b>Equity at 31 December</b>	<b>5.080.000</b>	<b>0</b>	<b>407.512.583</b>	<b>12.000.000</b>	<b>424.592.583</b>

## Notes to the Financial Statements

	2016 <u>DKK</u>	2015 <u>DKK</u>
<b>1 Financial income</b>		
Interest received from group enterprises	0	18.101
Other financial income	<u>3.835</u>	<u>0</u>
	<b><u>3.835</u></b>	<b><u>18.101</u></b>
<b>2 Financial expenses</b>		
Interest paid to group enterprises	9.925.071	7.756.613
Other financial expenses	<u>12.198.194</u>	<u>3.019.866</u>
	<b><u>22.123.265</u></b>	<b><u>10.776.479</u></b>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	945.566	-14.997.980
Deferred tax for the year	<u>11.468.544</u>	<u>89.508.494</u>
	<b><u>12.414.110</u></b>	<b><u>74.510.514</u></b>

# Notes to the Financial Statements

## 4 Assets measured at fair value

	Investment pro- perties <u>DKK</u>
Cost at 1 January	784.977.319
Additions for the year	<u>14.490.340</u>
Cost at 31 December	<u>799.467.659</u>
Value adjustments at 1 January	335.022.681
Revaluations for the year	<u>25.109.660</u>
Value adjustments at 31 December	<u>360.132.341</u>
<b>Carrying amount at 31 December</b>	<b><u>1.159.600.000</u></b>

### Assumptions underlying the determination of fair value of investment properties

The Company's investment property is 100% commercial. The Property comprises a shopping center primarily with retail (72%), restaurant (9%), entertainment (16%) and other (3%).

The investment property is located in the area of Copenhagen.

The property is valued at fair value based on a DCF model, which is based on forecasts for future cash flows that the individual property is expected to generate, expected CAPEX investments and development in vacancy.

The basis for value calculation is the individual property's net operating profit, with a budget period of 10 years.

The increase in market rent has been estimated to follow a development of 2% and with a vacancy level of 1,75%.

Expected changes in operating costs have been included in the DCF-model of 2%.

The discount rate is fixed for all properties on the basis of a long-term risk-free nominal interest rate plus a risk adjustment. Risk adjustment is made based on an assessment of tenants' solvency and lease duration. The discount rate for budget period and the terminal value for 2016 is set to 7,1%, includes rate of return of 5,1% and expected inflation of 2%.

## Notes to the Financial Statements

### 4 Assets measured at fair value (continued)

#### Sensitivity in determination of fair value of investment properties

An individually determined rate of return of 5,1% has been applied in the market value assessment at 31 December 2016.

Changes in estimated required rate of return for investment properties will affect the value of investment properties recognised in the balance sheet as well as value adjustments carried in the income statement.

Changes in average rate of return	-0,5 % DKK	Base DKK	0,5 % DKK
Rate of return	4,6	5,1	5,6
Fair value	1.153.830.846	1.159.600.000	1.165.398.000
Change in fair value	-5.769.154	0	5.798.000

### 5 Equity

The share capital consists of 5,080,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2016 DKK	2015 DKK	2014 DKK
Share capital at 1 January	80.000	80.000	80.000
Capital increase	5.000.000	0	0
Capital decrease	0	0	0
<b>Share capital at 31 December</b>	<b>5.080.000</b>	<b>80.000</b>	<b>80.000</b>

# Notes to the Financial Statements

## 6 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2016 DKK	2015 DKK
<b>Credit institutions</b>		
After 5 years	551.761.897	88.870.000
Between 1 and 5 years	83.528.026	30.874.331
Long-term part	<u>635.289.923</u>	<u>119.744.331</u>
Within 1 year	18.719.472	1.500.000
Other short-term debt to credit institutions	0	440.202.849
Short-term part	<u>18.719.472</u>	<u>441.702.849</u>
	<b><u>654.009.395</u></b>	<b><u>561.447.180</u></b>
<b>Payables to group enterprises</b>		
After 5 years	0	267.276.022
Between 1 and 5 years	0	0
Long-term part	<u>0</u>	<u>267.276.022</u>
Within 1 year	0	0
	<b><u>0</u></b>	<b><u>267.276.022</u></b>
<b>Deposits</b>		
After 5 years	1.763.955	1.712.700
Long-term part	<u>1.763.955</u>	<u>1.712.700</u>
Within 1 year	0	0
	<b><u>1.763.955</u></b>	<b><u>1.712.700</u></b>
<b>Other payables, long-term</b>		
After 5 years	0	12.662.603
Between 1 and 5 years	5.050.000	0
Long-term part	<u>5.050.000</u>	<u>12.662.603</u>
Other short-term payables	8.880.215	5.462.334
	<b><u>13.930.215</u></b>	<b><u>18.124.937</u></b>



## Notes to the Financial Statements

	2016 DKK	2015 DKK
<b>7 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with mortgage credit institutes:		
Mortgage deeds with pledge in inventories with a carrying amount of	1.159.600.000	1.120.000.000

### Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income as well as for Danish withholding taxes through divided tax, royalty and tax on unearned income. The total amount of tax payables is included in the Annual Report of Herlev - Big Shopping Park ApS that is the administration Company in relation to the joint taxation.

In connection with the share transfer is set up an escrow account of DKK 5 million.

# Notes, Accounting Policies

## Basis of Preparation

The Annual Report of Herlev - Big Shopping PropCo ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

Financial Statements for 2016 are presented in DKK.

## Changes in accounting policies

Changes in accounting policies as a result of the amendment of the Danish Financial Statements Act.

As a result of Act No 738 of 1 June 2015 (amendment of the Danish Financial Statements Act), the Company has changed accounting policy for the measurement of debts relating to investment properties. Debts relating to investment properties have so far been measured at fair value, but in future such debts will be measured at amortised cost. In connection with the change, the Company has applied the exemption of the Danish Executive Order on Exemption from the Danish Financial Statements Act and has recognised the debts at cost corresponding to the most recent fair value at 31 December 2015. Subsequently, the debts have been recognised at amortised cost. Therefore, comparative figures have not been restated.

## Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

## Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

## **Notes, Accounting Policies**

### **Income Statement**

#### **Gross profit/loss after value adjustments**

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### **Revenue**

Rental income is recognised on a straight line-basis over the term of the lease.

#### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Notes, Accounting Policies**

### **Balance Sheet**

#### **Investment properties**

In Management's opinion the classification of the properties as investment properties did not cause any difficulties.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

In Management's opinion it has not been possible this year to determine fair value through market information, and, consequently, valuation has been made based on a recognised valuation technique.

The fair value of investment properties has been determined at 31 December 2016 for each property by using a Discounted Cash Flow model under which expected future cash flows are discounted to present value. The calculations are based on property budgets for the coming years. Allowance has been made for developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The individual, budgeted cash flows are discounted at an individually fixed discount rate added a terminal value. The value thus calculated is adjusted for any non-operating assets such as cash and cash equivalents, deposits, etc if they are not shown separately in the balance sheet.

The fair value of investment properties has been assessed by the independent assessor firm Nybolig Erhverv København A/S at 31 December 2016.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

#### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

#### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## **Notes, Accounting Policies**

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Loans, such as mortgage loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.