

# Søborg Bakke A/S

Amaliegade 15, 2. sal, 1256 København K


CVR No. 35 67 23 62

**Annual report**

**For the year ended 31 December 2016**

**Approved at the annual general meeting, on 11 May 2017**

**Chairman:**



A handwritten signature in blue ink, appearing to be 'J. Lunde', is written over a horizontal line.

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## Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Søborg Bakke A/S 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 Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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


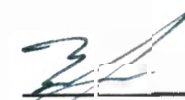
We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 11 May 2017

Executive Board:

  
\_\_\_\_\_  
Kristian Foss

Board of Directors:

  
\_\_\_\_\_  
Kevin Jeremiah Cahill  
Chairman  
\_\_\_\_\_  
Daniel Liem  
\_\_\_\_\_  
Kristian Foss

## **Independent auditors' report**

**To the shareholders of Søborg Bakke A/S**

### **Opinion**

We have audited the financial statements of Søborg Bakke A/S for the financial year 1 January – 31 December 2016, which comprise an 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 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.

### **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 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 financial statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Further, Management is responsible for such internal control as it determines in 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 statement**

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 the 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.
- 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 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 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.

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

Management is responsible for Management's review.

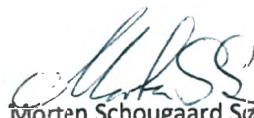
Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

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 Financial Statements Act.

Based on the work we have performed, we conclude that 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 Management's review.

Odense, 11 May 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR No. 30 70 02 28



Morten Schougaard Sørensen  
State Authorised  
Public Accountant

## Management's review

### Company details

Name Søborg Bakke A/S  
Address, Postal code, City Amaliegade 15, 2. sal, 1256 København K

CVR No. 35 67 23 62  
Established 26 February 2014  
Registered office Copenhagen  
Financial year 1 January – 31 December

Board of Directors Kevin Jeremiah Cahill, chairman  
Daniel Liem  
Kristian Foss

Executive board Kristian Foss

Auditors Ernst & Young Godkendt Revisionspartnerselskab  
Englandsgade 25, P O Box 200, 5100 Odense C, Denmark

## Management's review

### **The company's primary activities and company details**

The company is primarily engaged in investment in real estate and related activities.

### **Significant changes in business and economic conditions**

In 2016 the company has changed accounting policies with regard to investment properties.

Investment properties are now measured at fair value whereas investment properties were valued at cost in prior years. The change had a positive impact on the profit before tax for 2015 of DKK 28.724 thousand and after tax DKK 22.405 thousand. The Equity 31 December 2015 is increased by DKK 22.405 thousand. In 2016 the change had a positive impact on the profit before tax of DKK 9.586 thousand and after tax DKK 7.477 thousand. The Equity 31 December 2016 is increased by DKK 29.882 thousand.

### **Uncertainties relating to recognition and measurement in the financial statements**

Investments are valued at their fair values, according to the description in Accounting policies.

The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty. Please refer to note 3.



## Financial statements for the period 1 January - 31 December

### Income statement

Notes	DKK	<u>2016</u>	<u>2015</u>
	<b>Gross profit/loss</b>	<b>3.298.077</b>	<b>-21.010</b>
	Fair value adjustment of investment property	9.586.431	28.723.986
	Fair value adjustment of debt related to investment property	<u>0</u>	<u>0</u>
	<b>Operating profit</b>	<b>12.884.508</b>	<b>28.702.976</b>
	Financial income	16.462	0
	Financial expenses	<u>-595.282</u>	<u>0</u>
	<b>Profit/loss before tax</b>	<b>12.305.688</b>	<b>28.702.976</b>
2	Tax for the year	-2.800.674	-6.315.319
	<b>Profit/loss for the year</b>	<b><u>9.505.014</u></b>	<b><u>22.387.657</u></b>
	<b>Recommended appropriation of the profit/loss for the year</b>		
	Proposed dividend recognised under equity	0	0
	Extraordinary dividend distributed in the year	9.300.000	0
	Retained earnings	<u>205.014</u>	<u>22.387.657</u>
		<b><u>9.505.014</u></b>	<b><u>22.387.657</u></b>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Notes DKK	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Fixed assets</b>		
Investment property	128.000.000	86.455.830
<b>3 Property, plant and equipment</b>	<u>128.000.000</u>	<u>86.455.830</u>
<b>Total fixed assets</b>	<u>128.000.000</u>	<u>86.455.830</u>
<b>Current assets</b>		
Trade receivables	0	0
Receivables from group entities	816.000	0
Other receivables	73.685	0
<b>Receivables</b>	<u>889.685</u>	<u>0</u>
<b>Cash</b>	<u>2.570.106</u>	<u>672.642</u>
<b>Total current assets</b>	<u>3.459.791</u>	<u>572.642</u>
<b>Total assets</b>	<u><u>131.459.791</u></u>	<u><u>87.128.472</u></u>

## Financial statements for the period 1 January - 31 December

### Balance sheet

Notes DKK	<u>2016</u>	<u>2015</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
4 Share Capital	1.000.000	1.000.000
Retained earnings	35.438.314	35.174.826
Proposed dividend	0	0
<b>Total equity</b>	<u>36.438.314</u>	<u>36.174.826</u>
<b>Provisions</b>		
Provisions for deferred tax	8.651.561	6.311.319
5 <b>Total provisions</b>	<u>8.651.561</u>	<u>6.311.319</u>
<b>Liabilities</b>		
Mortgage debt	81.900.353	0
Other payables	2.191.467	11.438.852
6 <b>Long-term liabilities</b>	<u>84.091.820</u>	<u>11.438.852</u>
6 Current portion of long-term liabilities	0	0
Trade payables	8.113	0
Bank debt	0	30.930.826
Corporation tax payable	476.645	0
Other payables	1.793.338	2.271.649
<b>Short-term liabilities</b>	<u>2.278.096</u>	<u>33.202.475</u>
<b>Total liabilities</b>	<u>86.369.916</u>	<u>44.641.327</u>
<b>Total equity and liabilities</b>	<u><u>131.459.791</u></u>	<u><u>87.127.472</u></u>
<b>7. Security for loans</b>		
<b>8. Contractual obligations and contingencies, etc.</b>		
<b>9. Related parties</b>		

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

(DKK)	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend</u>	<u>Total</u>
Equity at 1/1 2016	1.000.000	12.762.159	0	13.762.159
Change in accounting policy	0	22.413.667	0	22.413.667
Equity at 1/1 2016 after change in accounting policy	1.000.000	35.175.826	0	36.175.826
Profit/loss for the year	0	205.014	9.300.000	9.505.014
Hedging	0	73.685	0	73.685
Tax on hedging	0	-16.211	0	-16.211
Proposed extraordinary dividend	0	0	-9.300.000	-9.300.000
<b>Equity at 31/12 2016</b>	<u>1.000.000</u>	<u>35.438.314</u>	<u>0</u>	<u>36.438.314</u>

## Financial statements for the period 1 January - 31 December

### Notes

#### 1. Accounting policies

The annual report of Søborg Bakke A/S for 2016 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.

In 2016 the company has changed accounting policies with regard to investment properties.

Investment properties are now measured at fair value whereas investment properties were valued at cost in prior years. The change had a positive impact on the profit before tax for 2015 of DKK 28.724 thousand and after tax DKK 22.405 thousand. The Equity 31 December 2015 is increased by DKK 22.405 thousand. In 2016 the change had a positive impact on the profit before tax of DKK 9.586 thousand and after tax DKK 7.477 thousand. The Equity 31 December 2016 is increased by DKK 29.882 thousand.

#### Reporting currency

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

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

#### Income Statement

##### Revenue

Revenue comprises rental income from the leases of properties. Revenue is recognized on an actual basis.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

## Financial statements for the period 1 January - 31 December

### Notes

#### 1. Accounting policies - continued

##### Other 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.

##### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

##### Financial

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses, etc.

##### Tax

Tax for the year include 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 recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowance, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

##### Balance sheet

##### Investment property

Investment properties are measured at cost at first recognition. After the first recognition investment properties are measured at fair value. Fair value is measured based on yield for comparable properties. Annual changes in fair value is recognized in the income statement.

In the valuation a yield of 4.47 % has been applied.

##### Receivables

Receivables are measured at amortized 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 realizable value and the carrying amount.

## Financial statements for the period 1 January - 31 December

### Notes

#### 1. Accounting policies - continued

##### Cash and cash equivalents

Cash comprises cash balances and bank balances.

##### Equity

###### *Proposed dividends*

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

##### Corporation tax

Current tax payable and receivable is recognized in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior year's taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values.

Deferred tax is measured according to the taxation rules and taxations rates applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

##### Liabilities

Financial liabilities related to investment properties are measured at amortized cost.

Other liabilities are measured at net realizable value.

## Financial statements for the period 1 January - 31 December

### Notes

DKK	<u>2016</u>	<u>2015</u>
<b>2. Tax for the year</b>		
Estimated tax charge for the year	476.645	5.000
Tax related to hedging booked to equity	-16.211	0
Deferred tax adjustments in the year	<u>2.340.240</u>	<u>6.310.319</u>
	<u>2.800.674</u>	<u>6.315.319</u>

### 3. Property, plant and equipment

DKK	<u>Investment property</u>
Cost	
Balance at 1/1 2016	57.731.844
Additions	<u>31.957.739</u>
Cost at 31/12 2016	<u>89.689.583</u>
Value adjustments at 1/1 2016	28.723.986
Value adjustments for the year	9.586.431
Reversal of accumulated revaluation of disposals	0
Value adjustments at 31/12 2016	<u>38.310.417</u>
Carrying amount at 31/12 2016	<u>128.000.000</u>

The valuation is based on an initial yield of 4,47%. If valuation was based on 4,22 % the value would be DKK 135.432 thousand and if based on 4,72% the value would be DKK 121.317 thousand. The earnings used for the valuation is the estimated rent and cost on a normalised basis.

	<u>2016</u>	<u>2015</u>
<b>4. Share capital</b>		
Share capital beginning of year	1.000.000	500.000
Capital increase	0	500.000
	<u>1.000.000</u>	<u>1.000.000</u>

### 5. Provisions

The provisions for deferred tax primarily relates to timing differences in respect of property.  
Deferred tax DKK 8.651.561.

### 6. Long-term liabilities

Of the long-term liabilities, DKK 74.229.217 falls due for payment after more than 5 years after the balance sheet date.

Other payables comprise of deposits and prepaid rent.



## Financial statements for the period 1 January - 31 December

### Notes

#### 7. Security for loans

As security for the company's mortgage debt, the company has placed assets with carrying amount of DKK 128.000.000.

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

The company is jointly taxed with Pineapple Odense Residential Komplementarselskab ApS, CVR no 37 15 44 90, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

#### 9. Related parties

The company is included in the consolidated financial statements of Ares Management, L.P., Los Angeles, California. The consolidated financial statements can be obtained upon request from the parent company.