

CAPITAL FOUR

Capital Four Holding A/S

Per Henrik Lings Allé 2, 8th floor

2100 Copenhagen Ø

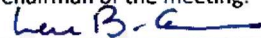
CVR-no. 36 44 06 78

Annual Report

1 January – 31 December 2018

This annual report has been adopted
at the company's annual general
meeting on, the *27/3* 2019

Chairman of the meeting:



Lone Benjaminsen Sauer
General Counsel
Attorney-at-law

Table of contents

	<u>Page</u>
Company details	2
Statement by the Board of Directors and the Board of Management	3
Independent auditor's report	4
Management's review	7
Income and comprehensive income statement	11
Balance sheet at 31 December 2018	12
Statement of changes in Equity and Comprehensive income at 31 December 2018	13
Notes	15

Company details

Capital Four Holding A/S
Per Henrik Lings Allé 2, 8th floor
2100 Copenhagen Ø
CVR-no.: 36 44 06 78
Domicile: Copenhagen

Phone: 35 25 61 00
Internet: www.capital-four.com
E-mail: camilla.levin@capital-four.com

Board of Directors

Jonathan Michael Little, *chairman*
Henrik Østergaard
Darius John Berendji
Harold Murphy
Jeremy Nevil Charles Bassil
Sandro Näf
Torben Magaard Skødeberg

Board of Management

Sandro Näf
Torben Magaard Skødeberg

Subsidiaries

Capital Four Management Fondsmæglerselskab A/S
Capital Four AIFM A/S
Capital Four – Strategic Lending Fund GP ApS

Auditors

Ernst & Young, Godkendt Revisionspartnerselskab
Osvald Helmut's Vej 4
2000 Frederiksberg

Banks

Jyske Bank A/S

Statement by the Board of Directors and the Board of Management

The Board of Directors and Board of Management have today discussed and approved the Annual Report for the financial year 1 January – 31 December 2018 for Capital Four Holding A/S.

The Annual Report has been prepared in accordance with the Danish Financial Business Act.

The financial statements gives a true and fair view of the Group's and the Company's assets, liabilities, equity and financial position as at 31 December 2018 and of the results of operations for the financial year 1 January – 31 December 2018.

The Management's Review gives a fair view of the development in the Company's operations and financial matters as well as a description of the most material risks and elements of uncertainty that may affect the Company.

We recommend that the Annual Report is approved at the Annual General Meeting.

Copenhagen, 12 March 2019

Board of Management



Sandro Näf



Torben Magaard Skødeberg

Board of Directors



Jonathan Michael Little
Chairman



Henrik Østergaard



Darius John Berendji



Harold Murphy



Jeremy Nevil Charles Bassil



Sandro Näf

Independent auditor's report

To the shareholders of Capital Four Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Capital Four Holding A/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Business 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 31 December 2018 and of the results of the Group's and the Parent Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Business 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" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Management's responsibilities for the 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 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 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 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 financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ 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 financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

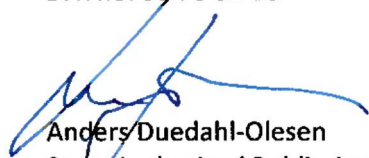
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 12 March 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Anders Duedahl-Olesen
State Authorised Public Accountant
mne24732



Lone Søgaard Lundin
State Authorised Public Accountant
mne44107

Management's review

Company's Background

Capital Four Holding A/S is a financial holding company founded in 2014 by an exchange of shares from Capital Four Management Fondsmæglerselskab A/S.

Capital Four (representing Capital Four Holding, Capital Four Management Fondsmæglerselskab A/S and Capital Four AIFM A/S) was founded on two strategic thrusts: (1) Attractive industry growth of European credit markets; (2) Need of specialist Asset Management expertise to manage credit strategies. The European credit markets have gone through a remarkable growth period during the last two decades. Driven by the introduction of the Euro and thriving Corporate Finance and Private Equity activities, Leveraged Finance (High Yield Bonds & Loans) emerged as a new Asset Class in Europe. Although the recent financial crisis caused new issue High Yield markets to pause, the subsequent changes in regulation have provided a strong backdrop for significant growth of debt capital markets. Since 2008 the European High Yield market has grown from EUR 45.1bn to EUR 312.3 bn and is expected to continue to grow long-term due to favorable structural trends in Europe.

The founding partners of Capital Four have been working together for more than 15 years and when Capital Four was founded in 2007, we were recognized pioneers in the European leveraged finance markets. Over the years deep expertise and skills, combined with relentless focus on credit research, continued to strengthen the quality of our award-winning track-record. As a result our Assets under Management grew from EUR 0.64bn to EUR 10.3 bn.

Management's Review

In order to reduce the vulnerability to one particular track record and overall swings in the credit cycle we have developed new strategies to complement our standard High Yield offering. Today we deploy capital across four different strategies:

- High Yield
- Leveraged Loans
- Credit Opportunities
- Direct Lending

At group level we achieved strong investment performance in 1H2018 in our investment strategies and performed top quartile vs. our competitors and outperformed benchmarks. Driven by the competitive performance of recent years (and on ability to gain and retain clients), Assets under Management reached a record high of EUR 10.3 bn at the of 2018, despite a negative market development for High Yield.

We continuously look to strengthen our organization to weather future adverse environment. Asset Management is a very competitive industry and in order to be able to ensure positive long-term developments, we need to continuously develop our firm. During 2018 we continued to extend the talent base of our firm and increased the number of employees from 50 to 60 at group level. We will continue to add new professionals from leading universities and successful companies to strengthen our organization going forward.

Management and Directorships

For a specification of the individual Board of Directors members' Management and Directorships see note 18 in the Annual Report.

Uncertainty with regard to recognition and measurement

No uncertainty with regard to the recognition and measurement exists apart from what is mentioned under accounting policies, just as no exceptional circumstances affecting the recognition and measurement occurred during the financial year.

Risk Exposure and Management

As a financial institution Capital Four accepts risks of a market related, credit related and operational nature. Management of these risks is a significant activity in the company. Risks are controlled by the company having updated business procedures, including IT-technology and trading systems ensuring proper management of the company.

Net profit and Equity

Net result for the period shows a net profit of DKK 99,006 K. Net profit of the period is assessed to be satisfactory.

After transfer of the net result for the period, the equity is DKK 74,926 K as per 31st of December 2018.

Subsequent event

No events have occurred after the balance sheet date which significantly affects the Company's financial position as of 31st of December 2018.

Outlook for 2019

The management acknowledges a stable level of Assets under Management in 2018. Maintaining Assets in a negatively performing market is considered satisfactory. There is continuously a risk of High Yield markets to correct and Assets-flows might – as a result – revert. Such developments leave the firm vulnerable to declining revenues (and profit). The current high profit margins and the efforts of the firm to gather Assets under Management in less cyclical strategies will mitigate vulnerability of the firm to the credit cycle. The successful launch in April 2018 of "Strategic Credit Fund II", a multi year locked up private debt fund, is an example of the Company's ability to diversify its revenue base.

Knowledge resources

The Company’s core business is management of assets in high yield credit strategies. This requires a high level of knowledge and competences in the organization. The employees are therefore characterized by being highly qualified and educated within the financial market.

Committed and motivated employees are crucial for the company’s continued operation and development. It is vital for the company to retain and attract competent employees.

Numerous efforts are being made to attract and retain employees with a high level of experience and professional competence, and we have a strong focus on development of employee skills. This is the prerequisite for continued results and expansion of the business base.

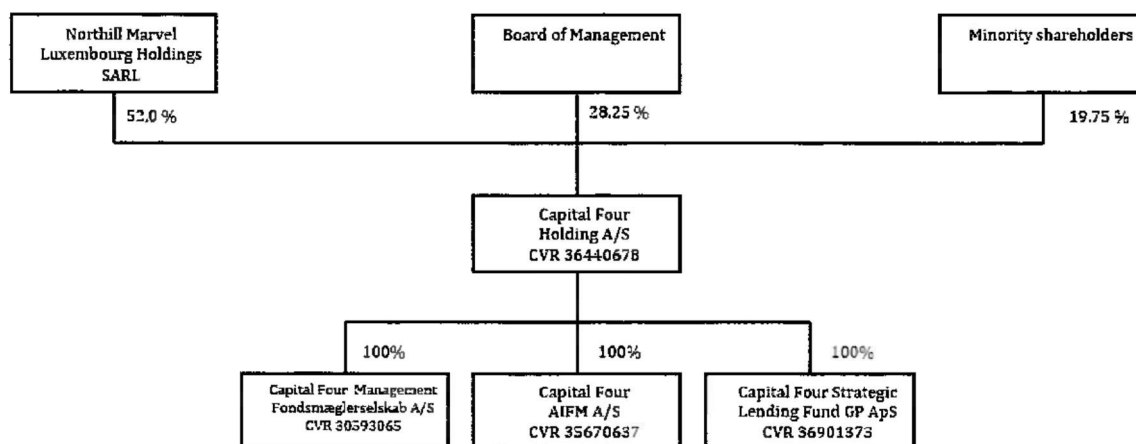
Through various initiatives, the Group seeks to offer an attractive workplace for employees and honor employees with a competitive remuneration consisting of a fixed salary and a variable compensation scheme, which is determined, inter alia, from the results achieved.

Management and ownership

Capital Four Holding A/S is the parent company of the Capital Four group. The activities within the group are carried out by Capital Four Fondsmæglerselskab A/S and Capital Four AIFM A/S.

The board of directors has seven members, three of whom are also represented on the board of Management.

Group structure



Board of Directors, proposed dividend

The Board of Directors propose a dividend of DKK 53,000 K at the company's annual general meeting.

Income and comprehensive income statement

Amounts in DKK'000		Group		Parent	
		2018	2017	2018	2017
Notes					
3	Interest income	8	5	0	5
4	Interest expenses	-200	-291	-57	-3
	Net interest income	-192	-286	-57	2
5	Fees and commissions income	261,646	235,033	0	0
	Paid fees and commissions expenses	-26,881	-27,085	0	-1
	Net interest and fee income	234,573	207,662	-57	1
6	Value adjustments	-326	-327	0	-7
7	Staff costs and administrative expenses	-104,962	-77,242	-256	-321
	Depreciation and impairment of property, plant and equipment	-1,454	-822	0	0
	Income from equity investments in subsidiaries	0	0	99,250	100,548
	Profit before tax	127,831	129,271	98,937	100,221
8	Taxes	-28,825	-28,977	69	73
	Profit for the year	99,006	100,294	99,006	100,294
	Comprehensive income	0	0	0	0
	Total Comprehensive income	99,006	100,294	99,006	100,294

Allocation of the result

Proposed dividend	53,000	44,981
Paid, interim dividend	43,600	46,890
Revaluation reserve according to the equity method	8,717	3,579
Accumulated result	-6,311	4,844
Total allocation	99,006	100,294

Balance sheet at 31 December 2018

Assets		Group		Parent	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
Amounts in DKK'000					
Notes					
	Cash and demand deposits with central banks	9	9	0	0
9	Receivables from credit institutions and central banks	35,850	47,300	490	369
10	Equity investments in subsidiaries	0	0	25,853	17,136
11	Other property, plant and equipment	9,812	1,307	0	0
8	Deferred tax assets	880	0	0	0
	Tax assets	0	0	69	73
	Other assets	55,242	44,316	53,000	52,300
	Prepayments	8,347	4,554	0	0
	Total assets	110,140	97,486	79,412	69,878
Liabilities & equity					
	Tax liabilities	0	497	0	0
	Other liabilities	35,214	31,202	4,486	4,140
6	Total liabilities	35,214	31,699	4,486	4,140
	Provisions for deferred taxes	0	49	0	0
12	Share capital	684	684	684	684
	Retained earnings	21,242	20,073	7,532	15,080
	Revaluation reserve according to the equity method	0	0	13,710	4,993
	Proposed dividend	53,000	44,981	53,000	44,981
	Total equity	74,926	65,738	74,926	65,738
	Total liabilities & equity	110,140	97,486	79,412	69,878
13	Contingent and contractual liabilities				
14	Security provided				
15	Related parties				
16	Capital adequacy requirements				
17	Risk management				
18	Management and Directorships				

Statement of changes in Equity and Comprehensive income at 31 December 2018

Amounts in DKK thousand	Share capital	Retained earnings	Proposed dividend	Total
Group:				
Formation as of 01.01 17	684	13,477	38,100	52,261
Purchase of own shares	0	-4,047	0	-4,047
Comprehensive income for the period	0	8,423	91,871	100,294
Change in equity, for the period:				
Distribution to owners	0	0	-84,990	-84,990
Issue of warrants and stock awards	0	2,220	0	2,220
Equity at 31.12.17	684	20,073	44,981	65,738
Formation as of 01.01 18	684	20,073	44,981	65,738
Purchase of own shares	0	-7,970	0	-7,970
Comprehensive income for the period	0	2,406	96,600	99,006
Change in equity, for the period:				
Distribution to owners	0	0	-88,581	-88,581
Issue of warrants and stock awards	0	6,052	0	6,052
Deferred tax of warrants and stock awards	0	681	0	681
Equity at 31.12.18	684	21,242	53,000	74,926

Statement of changes in Equity and Comprehensive income at 31 December 2018

Amounts in DKK thousand	Share capital	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
Parent:					
Formation as of 01.01.17	684	1,414	12,063	38,100	52,261
Purchase of own shares	0	0	-4,047	0	-4,047
Comprehensive income for the period	0	3,579	4,844	91,871	100,294
Change in equity, for the period:					
Distribution to owners	0	0	0	-84,990	-84,990
Issue of warrants and stock awards	0	0	2,220	0	2,220
Equity at 31.12.17	684	4,993	15,080	44,981	65,738
Formation as of 01.01.18	684	4,993	15,080	44,981	65,738
Purchase of own shares	0	0	-7,970	0	-7,970
Comprehensive income for the period	0	8,717	-6,311	96,600	99,006
Change in equity, for the period:					
Distribution to owners	0	0	0	-88,581	-88,581
Issue of warrants and stock awards	0	0	6,052	0	6,052
Deferred tax of warrants and stock awards	0	0	681	0	681
Equity at 31.12.18	684	13,710	7,532	53,000	74,926

The parent company has issued 19,752 warrants which gives the right to subscribe for ordinary shares in the company at a given time after the 1st of April 2022.

In 2016, 2017 and 2018 the company has issued restrictive stock awards which gives the right to ordinary shares in the company at a given time 4 years after the grant date.

The exercise price for the issued warrants and stock awards are equal to fair market value of the shares of the company on commencement date calculated on the basis of the enterprise value.

The parent company's holding of own shares amount to 7,409 corresponding to a nominal holding of 7,409 (1,1% of the total nominal share capital).

In 2018 the parent company has acquired a nominal holding of 4,451 own shares corresponding to DKK 7,970 thousand (0,7% of the total nominal share capital) to cover the issued restrictive stock awards.

Notes

1. Accounting policies

GENERAL

The annual report is prepared in accordance with the Danish Financial Business Act, the Executive Order on Financial Reports for Credit Institutions and Investment Companies etc.

With effect from 1 January 2018, the Danish Financial Business Act has been amended to concern the classification and measurement of financial assets and liabilities, since the rules in IFRS 9 are incorporated in the Danish Financial Business Act. The changes have led to new criteria for when financial shares are to be measured at amortized cost, at fair value through the income statement or at fair value over other comprehensive income. The changes have also led to new criteria for impairment of loans and receivables at amortized cost, after which they are written down on the basis of expected credit losses against previously incurred credit losses.

In accordance with the transitional rules, no comparison figures for 2017 have been adjusted.

The changes have not had any effect on the Group's or the parent company's opening balance per January 1, 2018.

Except from above the accounting policies have been applied consistently with last year.

The company has received the Danish Financial Supervisory Authority's approval to present the annual report in the English language only.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent and any subsidiaries in which the parent, directly or indirectly, holds more than 50% of the voting rights or in which it has a controlling influence through agreements. Enterprises in which the group holds between 20% and 50% of the voting rights and in which it has a substantial, but not controlling influence, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements are prepared by combining the audited financial statements of the parent and its subsidiaries by aggregating uniform items. The consolidation eliminates inter-company income and expenditure, shareholdings, balances and dividends as well as unrealised inter-company gains and losses on inventories and non-current assets.

Newly acquired or newly founded enterprises are recognised in the consolidated financial statements as from the time of acquisition. Divested or discontinued enterprises are recognised in the consolidated income statement up until the time of divestment or discontinuation. Comparative figures are not restated for newly acquired, divested or discontinued enterprises.

Gains or losses on the divestment of subsidiaries and associates are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of divestment, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

New enterprises are recognised in accordance with the purchase method, according to which the identifiable assets and liabilities of the newly acquired enterprises are recognised at fair value at the time of acquisition. A provision is made to cover expenses incidental to decided and announced restructuring in the acquired enterprise in connection with the acquisition. The tax effect of any reassessments is recognised.

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Recognition and measurement in general

In the income statement, income is recognised as earned, including value adjustments of financial assets and liabilities. In the income statement, all expenses, including depreciation and impairment losses, are recognised as well.

In the balance sheet, assets are recognised when the economic benefits are likely to be realised and when the asset value can be measured in a reliable manner. Liabilities are recognised when they are likely to be realised and when they can be measured in a reliable manner. On subsequent recognition, financial assets and liabilities are measured as described below for each specific entry.

For purposes of recognition and measurement, predictable losses and risks which occur before the interim report is presented are taken into consideration.

REPORTING CURRENCY

The Annual Report is presented in Danish kroner.

Foreign currency translation

Transactions in foreign currency are translated into Danish kroner using the exchange rate ruling on the date of the transaction. Receivables and liabilities in foreign currency are translated into

Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement under net financials.

INCOME STATEMENT

Interest income and fee income

Interest income consists of interest and similar income and will be accrued over the specific periods to which they relate and they will be recognized in the income statement with the amounts related to the specific financial reporting period.

Fees income includes income concerning discretionary capital management at the clients' expense, including administrative fees in particular.

Performance fees are recognized as income when the Company obtains definitive rights to the fee.

Fee and commissions expenses

These includes the company's fees for banks, payments and other charges related to the company's fee income.

Value adjustments

Realised and unrealised capital gains and losses are recognized in the income statement, including any value adjustments of assets and liabilities measured at fair value.

Staff costs and administrative expenses

These include staff, management and administrative expenses, including expenses, related to office rental.

Share-based payments, (warrants and stock awards) of employees is recognized as an expense in the income statement at the grant date. Similarly, recognition is made by a corresponding increase in other reserves in equity. The share-based payments, are measured at fair value at the grant date.

Depreciation

Depreciation of property, plant and equipment aims at systematic depreciation over the expected useful lives of the assets. The following depreciation period is applied by the company:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Tax

Tax for the year comprises current tax, joint taxation contribution and changes in deferred tax for the year. Tax relating to the profit/loss for the year is recognised in the income statement, and the tax relating to amounts directly recognised in equity is recognised directly in equity.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Receivables from credit institution and central banks

On initial recognition, receivables from credit institutions and central banks are recognised at their fair values and subsequently at amortised cost.

Other property, plant and equipment

Property, plant and equipment comprise leasehold improvements and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Equity investments in subsidiaries

Equity investments in subsidiaries are recognised and measured using the equity method.

Equity investments in subsidiaries are recognised in the balance sheet at the proportionate share of the investment in such enterprises adjusted for the remaining value of positive or negative goodwill and unrealised intercompany profits and losses.

The net profit or loss of the subsidiaries is recognised in the income statement as the proportionate share made up of the equity investments.

Net revaluations of the investments in subsidiaries are transferred to the reserve for net revaluation, according to the equity method, to the extent that the carrying amount exceeds the acquisition value.

Impairment of assets

The carrying amount of non-current assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets. The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the disposal of the asset or group of assets after the expiry of their useful lives.

Other assets

Receivables and receivables related to fees for portfolio management are measured at amortized cost, which usually corresponds to the nominal value. The value is reduced by provisions for bad debts.

Receivables, where there has not been a significant increase in credit risk since the first recognition, are written down by an amount corresponding to the statistically expected loss in the coming 12 months, while receivables on which there has been a significant increase in the credit risk are written down by an amount corresponding to the expected loss in the residual maturity of the receivable. For receivables that are impaired (non-performing), only interest on the written-down amount is recognized as income. The Group does not provide loans and has therefore not developed models for use in the write-down of loans and receivables. Write-downs are based on individual assessments and estimates.

Prepayments

Prepaid expenses incurred on or before the balance sheet date, but concerning subsequent reporting periods are recorded as prepayments. Prepaid expenses are measured at cost.

Equity and dividend

The proposed dividend for the financial year is recognized as a special item under equity.

Premiums for warrants and stock awards and the redemption of warrants and stock awards on the company's shares are recognized as a change in equity in other reserves.

Acquisition costs, selling prices and dividend of own shares are recognized direct in retained earnings under equity.

Net revaluations of the investments in subsidiaries are transferred to the reserve for net revaluation, according to the equity method, to the extent that the carrying amount exceeds the acquisition value.

Acquisition costs

Consideration and dividend of own shares are recognized direct in retained earnings and equity.

Current and deferred taxes

Current tax payable and receivable is recognized in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for any tax paid on account.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Other liabilities

Other liabilities are measured at their net realisable values.

Expenses that are not due until the subsequent reporting year are recognised under other liabilities.

Financial highlights

The financial highlights have been prepared in accordance with the Danish Financial Supervisory Authority's executive order on financial reports of credit institutions and stockbroker companies.

2. Five year summary (key figures and financial ratios)

Key Figures

	2018	2017	2016	2015	2014
Amounts in DKK'000					
Net interest and fee income	234,573	207,662	150,382	100,327	77,273
Value adjustments	-326	-327	-45	-64	-98
Staff costs and administrative expenses	-104,962	-77,242	-70,486	-49,834	-33,026
Profit for the year/period	99,006	100,294	61,484	37,765	33,033

	31.12.18	31.12.17	31.12.16	31.12.15	31.12.14
Amounts in DKK thousand					
Equity	74,926	65,738	52,261	21,663	16,857
Total assets	110,140	97,486	77,482	37,220	29,778

	31.12.18	31.12.17	31.12.16	31.12.15	31.12.14
Amounts in DKK'000					
Own funds in relation to minimum capital requirement	1,40	2,13	1,40	4,60	4,68
Solvency ratio	11,2%	17,0%	11,18%	36,8%	37,4%
Core capital ratio	11,2%	17,0%	11,18%	36,8%	37,4%
Return on equity before tax	181,8%	219,1%	213,6%	257,2%	259,8%
Return on equity after tax	140,8%	170,0%	166,3%	196,1%	195,9%
Income/cost ratio	2,23	2,66	2,11	1,98	2,31

	Group		Parent	
	2018 DKK'000	2017 DKK'000	2018 DKK'000	2017 DKK'000
3 Interest income				
Other interest income	8	5	0	5
Total	8	5	0	5

4 Interest expenses				
Interest credit institutions and central banks	-200	-205	-57	-3
Other interest expenses	0	-86	0	0
Total	-200	-291	-57	-3

5 Fees and commissions income				
Other fees and commissions income	261,646	235,033	0	0
Total	261,646	235,033	0	0

The Company has not reported net interest and fee income on activity and geographical markets. It is estimated that there is not significant deviation between the activities and geographical areas, and therefore no segment information is presented.

6 Value adjustments				
Currency adjustments	-326	-327	0	-7
Total	-326	-327	0	-7

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
7 Staff costs and administrative expenses				
Board of Directors	344	188	0	0
Board of Management, fixed salary	6,654	6,334	0	0
Board of Management, variable salary	0	0	0	0
Risktakers, fixed fee	2,556	2,424	0	0
<hr/>				
Salaries and remuneration to the Board of Management, the Board of Directors and employees with influence on risk	9,554	8,946	0	0
Staff salaries	54,101	35,684	0	0
Staff pensions	3,783	2,452	0	0
Social security costs	391	275	0	0
Payroll tax	8,585	6,313	0	0
<hr/>				
Total staff costs	76,414	53,670	0	0
<hr/>				
Other administrative expenses	28,548	23,572	256	321
<hr/>				
Total staff costs and administrative expenses	104,962	77,242	256	321
<hr/>				
Average number of employees in the period	52	40	0	0
<hr/>				
Number of employees defined as risktakers:				
Board of Directors	7	7	7	7
Board of Management*	2	3	2	3
Risktakers	2	2	0	0
<hr/>				
Total	11	12	9	10

**Board of Management has been reduced from 3 to two persons at the end of 2018. The disclosure includes the total salaries to all 3 Board of management members during 2018.*

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
7 Staff costs and administrative expenses - continued				
Audit fee:				
Fees for statutory audits of annual accounts	308	387	26	25
Fees for assurance engagements other than audit	79	103	26	26
Fees for tax advisory services	0	19	0	0
Fee for other services	0	25	0	0
Total Audit fee	387	534	52	51

Fees to the Board of Directors of Capital Four Holding A/S are shown in note 18.

There are no pension commitments on the company because the company's pension plan is a defined contribution plan.

The company has no significant risk takers beyond the company's Board of Directors, Board of Management, Head of Risk management and Head of Legal and Compliance. As the wages in respect to the Board of Directors, Board of Management, Head of Risk management and Head of Legal and Compliance are specified above, it is chosen not to specify these again under significant risk takers.

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
8 Taxes				
Calculated tax for the period	-28,975	-28,995	69	73
Deferred tax, adjustment for the year	150	18	0	0
Total taxes	-28,825	-28,977	69	73

	Parent	
	2018 DKK '000	2017 DKK '000
The effective tax rate:		
Corporation tax rate in Denmark	22,0%	22,0%
Non-taxable income and non-deductible expenses	0,1%	0,1%
Average effective rate of tax	22,1%	22,1%

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
9 Receivables from credit institutions and central banks				
Receivables from credit institutions on demand	35,850	47,300	490	369
Receivables from credit institutions and central banks, total	35,850	47,300	490	369

Capital Four Holding A/S

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
10 Equity investments in subsidiaries				
Costs as at 01.01.18	0	0	12,143	12,143
Additions during the year	0	0	0	0
Costs as at 31.12.18	0	0	12,143	12,143
Revaluations as at 01.01.18	0	0	4,993	1,414
Profit for the year	0	0	99,265	100,548
Equity movement	0	0	6,052	2,220
Dividend	0	0	-96,600	-99,189
Revaluations as at 31.12.18	0	0	13,710	4,993
Carrying amount as at 31.12.18	0	0	25,853	17,136

Subsidiaries:

	Registered Office	Ownership interest
Capital Four Management Fondsmæglerselskab A/S	Copenhagen	100,00%
Capital Four AIFM A/S	Copenhagen	100,00%
Capital Four – Strategic Lending Fund GP ApS	Copenhagen	100,00%

Capital Four Holding A/S

	Group		Parent	
	2018	2017	2018	2017
	DKK '000	DKK '000	DKK '000	DKK '000
11 Other property, plant and equipment				
Cost as at 01.01	4,558	4,514	0	0
Additions during the year	9,959	44	0	0
Costs as at 31.12	14,517	4,558	0	0
Depreciations and impairment losses as at 01.01	3,251	2,429	0	0
Depreciations during the year	1,454	822	0	0
Depreciations and impairment losses as at 31.12	4,705	3,251	0	0
Carrying amount as at 31.12	9,812	1,307	0	0

12 Equity

The company's share capital is divided into A shares, each with a nominal value of DKK 1 and each giving one vote, and B shares, each with a nominal value of DKK 1 without any voting rights.

The share capital consists of:

	Nominal value
Share class A	600,000
Share class B	84,300

The parent company has issued 19,752 warrants which gives the right to subscribe for ordinary shares in the parent company at a given time after the 1st of April 2022.

In 2016 and 2017 the parent company has issued stock awards which gives the right to ordinary shares in the parent company at a given time 4 years after the grant date.

The exercise price for the issued warrants and stock awards are equal to the fair market value of the shares of the company on commencement date calculated on the basis of the enterprise value.

13 Contingent and contractual liabilities

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000
Danish guarantee fund for depositors and investors	290	259	0	0
Total guaranties	290	259	0	0
Other commitments				
Rent commitments	14,579	21,816	0	0
Total other commitments	14,579	21,816	0	0

The company is taxed with other group companies, the company is liable from 2014 with the other taxed companies for the total company tax.

The company is jointed registered with other group companies for VAT. The company is liable with the other group companies for the total VAT.

As of 31st of December 2018 the company has entered into an agreement to purchase a Profit Participation note (PPN) at 5,5 mEUR. The PPN will be funded by sub-participation agreements with shareholders.

14 Securities provided

The company has per 31st December 2018 not made any pledges or given any form of securities.

15 Related parties

The company has not completed transactions, granted loans, granted mortgages, provided guarantees for The Board of Directors, The Board of Management or principal shareholder or with companies outside of the company in which the parties have an interest. Any transactions with related parties are based on market conditions.

Capital Four Holding A/S

Ownership:

The following shareholders are registered in the company's register of shareholders as holding more than 5% of the share capital:

- C4 Investor ApS, Hovmarksvej 20, 2920 Charlottenlund
- C4 Acquisition ApS, Højdysevej 7, 4000 Roskilde
- C4 Alsønderup ApS, Gydlandsvej 3, 3400 Hillerød
- Northill Marvel Luxembourg Holdings S.ä.r.l., Luxembourg

The above-mentioned related parties, together with four employees of Capital Four, constitute the related parties participating in the PPN disclosed in Note 13 above

	Group		Parent	
	2018	2017	2018	2017
	DKK '000	DKK '000	DKK '000	DKK '000

16 Capital adequacy requirements

Capital adequacy requirements according to section 170(2) of Danish Financial Business Act (Capital Requirements Regulation section 95(2)a and 92(2)c):

Total risk exposure	132,512	98,188	79,020	69,510
Solvency requirements, 8% of this	10,601	7,855	6,322	5,561
Own Funds				
Equity	74,926	65,738	74,926	65,738
Own shares	-7,970	-4,047	-7,970	-4,047
Proposed dividend	-53,000	-44,981	-53,000	-44,981
Own Funds	13,956	16,710	13,956	16,710

17 Risk management

Group

The most important operating risks of the company relates to:

- Loss of customers/assets under management. This risk is minimised through: Contractually fixed minimum maturity periods. Diversification of the customer base.
- Operational errors leading to losses. This risk is minimised through: Business procedures, including up-to-date IT technology and trading systems. Staff training.
- Loss of key staff in the investment area. This risk is minimised through: Contractually fixed non-competition clauses. Increase/diversification of the staff.
- Financial risks (credit and market risks). Deemed to be limited for the company and thus insignificant.

As a financial institution, Capital Four Holding A/S assumes market, credit and operational risks. Risk management constitutes a significant activity in the company. The risks are managed according to guidelines on investments in securities as laid down by the Board of Directors. The risks are limited and primarily relate to investments in mortgage credit bonds.

18 Management and Directorships

Management and Directorships held by the Board of Directors in companies as member of the Board of Management or Board of Directors (Chief Executive Officer (CEO), Chairman (CM), Board member (BM), Executive Director (ED))

Jonathan Michael Little, Chairman of the Board (No Board of Directors and Board of Management remuneration has been paid in the company or in other group companies for 2018)

- *Longview Partners (UK) Ltd. (CM)*
- *Northill Capital Holdings Ltd. (BM)*
- *Riverbridge Partners LLC (BM)*
- *Quilter Plc (BM)*
- *Quilter Investors (CM)*
- *Vantage Infrastructure Holdings Limited (Director+BM)*
- *Strategic Investment Management LLC (CM)*

Darius John Berendji, Board member (No Board of Directors and Board of Management remuneration has been paid in the company or in other group companies for 2018)

- *Alpha Strategic Limited (BM)*
- *Riverbridge Partners LLC (BM)*
- *Vantage Infrastructure (USA) Inc. (BM)*

Harold Murphy, Board member (No Board of Directors and Board of Management remuneration has been paid in the company for 2018. The group company Northhill Marvel Luxembourg Holdings Sarl. has paid 20,000 EUR in board fee for 2018)

- *Capital Four Management Fondsmæglerselskab A/S (BM)*
- *Capital Four AIFM A/S (BM)*
- *Harvest Financial Services Ltd (CM)*
- *CNP Europe Life DAC (BM)*

Jeremy Nevil Charles Bassil, Board member (No Board of Directors and Board of Management remuneration has been paid in the company or in other group companies for 2018)

- *Capital Four Management Fondsmæglerselskab A/S (BM)*
- *Capital Four AIFM A/S (BM)*
- *Northhill Global Strategies SPC (BM)*
- *Northhill Global Fund Managers Limited (BM)*
- *Northhill Global Funds ICAV (BM)*
- *Longview Partners (UK) Limited (BM)*
- *Vantage Infrastructure Holdings Limited (UK)*
- *Vantage Infrastructure (UK) Limited (BM)*
- *Vantage Infrastructure (Asia) Pte. Limited (Singapore) (BM)*
- *Strategic Investment Management LLC (BM)*

Sandro Näf, Board member (No Board of Directors remuneration has been paid in the company or in other group companies for 2018. Board of Management remuneration are specified in note 7)

- *C4 Investor ApS (CEO)*
- *Capital Four AIFM A/S (CEO)*
- *Capital Four Management Fondsmæglerselskab A/S (CEO)*

Henrik Østergaard, Board member (No Board of Directors remuneration has been paid in the company or in other group companies for 2018. Board of Management remuneration are specified in note 7)

- *C4 Alsønderup ApS (CEO)*

Torben Maggaard Skødeberg, Board member (No Board of Directors remuneration has been paid in the company or in other group companies for 2018. Board of Management remuneration are specified in note 7)

- *C4 Acquisition ApS (CEO)*
- *Capital Four AIFM A/S (ED)*
- *Capital Four Management Fondsmæglerselskab A/S (ED)*