

**REI Denmark Solvgade A/S**

**Kristen Bernikows Gade 4, 1. sal., 1105 København K**

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**Annual report**

**2016**

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**Company reg. no. 36 50 37 50**

The annual report have been submitted and approved by the general meeting on the 21 July 2017.

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Jesper Dam  
Chairman of the meeting

## Contents

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### Page

#### **Reports**

- 1 Management's report
- 2 Independent auditor's report

#### **Management's review**

- 5 Company data
- 6 Management's review

#### **Annual accounts 1 January - 31 December 2016**

- 7 Accounting policies used
- 11 Profit and loss account
- 12 Balance sheet
- 14 Notes

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

## **Management's report**

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The board of directors and the managing director have today presented the annual report of REI Denmark Solvgade A/S for the financial year 1 January to 31 December 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen, 6 June 2017

### **Managing Director**

Jesper Dam

### **Board of directors**

Christophorus J. Hoorenman  
Chairman

Line Verroken

Jan Lyng-Petersen

## **Independent auditor's report**

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### **To the shareholder of REI Denmark Solvgade A/S**

#### **Opinion**

We have audited the annual accounts of REI Denmark Solvgade A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January to 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The management's responsibilities for the annual accounts**

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts

## **Independent auditor's report**

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As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

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

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

## **Independent auditor's report**

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In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 6 June 2017

### **KPMG**

Statsautoriseret Revisionspartnerselskab  
Company reg. no. 25 57 81 98

Henrik O. Larsen  
State Authorised Public Accountant

## Company data

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### **The company**

REI Denmark Solvgade A/S  
Kristen Bernikows Gade 4, 1. sal.  
1105 København K

Company reg. no.      36 50 37 50  
Financial year:        1 January - 31 December  
                                 2nd financial year

### **Board of directors**

Christophorus J. Hoorenman, Chairman  
Line Verroken  
Jan Lyng-Petersen

### **Managing Director**

Jesper Dam

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 København Ø

### **Parent company**

REI Denmark Solvgade Holding A/S

## **Management's review**

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### **The principal activities of the enterprise**

The company's purpose is directly or indirectly to own, operate, develop and rent real estate as well as well as directly or indirectly to carry out other activities that the board of directors deem is connected therewith.

### **Development in activities and financial matters**

The net turnover for the year is DKK 13.882.080 against DKK 225.000 last year. The results from ordinary activities incl. value adjustment of the investment property after tax are DKK 56.631.031 against DKK -49.287.340 last year. The management consider the results satisfactory.



## **Accounting policies used**

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The annual report for REI Denmark Solvgade A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

## **The profit and loss account**

### **Net turnover**

#### **Rental income from investment property**

Rental income comprises income from the lease of property and from charged joint costs incl. income from heatint etc., and it is recognised in the profit and loss account for the period relating to the lease payment.

#### **Other external costs**

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

#### **Costs concerning investment properties**

Costs concerning investment properties comprise operation costs, repair and maintenance costs, taxes, charges, heating and other costs.

#### **Value adjustment of investment property**

Value adjustment of investment property comprises value adjustments of properties at fair value and gain or loss from disposal of properties.

#### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets.

### **Net financials**

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

## **Accounting policies used**

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The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

## **The balance sheet**

### **Tangible fixed assets**

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years
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Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

### **Investment property**

At the first recognition, investment property is measured at cost, comprising the cost of the property and directly attached costs, if any.

## **Accounting policies used**

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Hereafter, investment are measured individually on the basis of a return-based cash flow model based on expected future net cash flow over a period of 10 years. The required rate of return is determined by an external assessor. Fair value measurement is made on the basis of estimated rental income and expected operating costs, including scheduled maintenance. Compared to the latest financial year, the methods of measurement used have not been changed.

Costs which add new or improved qualities to an investment property compared to its condition at the time of acquisition and which thereby improves the future return on the property are added to the cost as an improvement. Costs which do not add new or improved qualities to an investment property are recognised in the profit and loss account in the item "Costs concerning investment property".

Like other material fixed assets, except from land, investment property has a limited life financial life. The impairment taking place concurrently with the aging of the investment property is reflected in the current measuring of the investment property at fair value.

Value adjustments are recognised in the profit and loss account in the item "Value adjustments of investment property".

### **Debtors**

Debtors are measured at amortised cost. In order to meet expected losses, writedown takes place at the net realisable value.

### **Accrued income and deferred expenses**

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Cash at bank and in hand**

Cash at bank and in hand comprise cash.

### **Corporate tax and deferred tax**

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, REI Denmark Solvgade A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

## **Accounting policies used**

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Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

### **Liabilities**

Liabilities relating to investment properties are measured at amortised cost.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

## Profit and loss account 1 January - 31 December

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All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Net turnover	13.882.080	225.000
Other external costs	-9.270.740	-50.000
<b>Gross results</b>	<b>4.611.340</b>	<b>175.000</b>
Value Adjustment of investment property	57.449.132	-44.212.000
Depreciation and writedown relating to tangible fixed assets	-1.000	0
<b>Operating profit</b>	<b>62.059.472</b>	<b>-44.037.000</b>
1 Other financial costs	-7.228.441	-5.250.340
<b>Results before tax</b>	<b>54.831.031</b>	<b>-49.287.340</b>
2 Tax on results	1.800.000	0
<b>Results for the year</b>	<b>56.631.031</b>	<b>-49.287.340</b>
 <b>Proposed distribution of the results:</b>		
Allocated to results brought forward	56.631.031	0
Allocated from results brought forward	0	-49.287.340
<b>Distribution in total</b>	<b>56.631.031</b>	<b>-49.287.340</b>

## Balance sheet 31 December

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All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Fixed assets</b>		
3 Other plants, operating assets, and fixtures and furniture	9.985	0
4 Investment property	<u>661.100.000</u>	<u>443.998.557</u>
Tangible fixed assets in total	<u>661.109.985</u>	<u>443.998.557</u>
<b>Fixed assets in total</b>	<b><u>661.109.985</u></b>	<b><u>443.998.557</u></b>
<b>Current assets</b>		
5 Deferred tax assets	1.800.000	0
Other debtors	1.254.396	0
Accrued income and deferred expenses	<u>807.232</u>	<u>0</u>
Debtors in total	<u>3.861.628</u>	<u>0</u>
Cash in bank and hand	<u>4.073.343</u>	<u>0</u>
<b>Current assets in total</b>	<b><u>7.934.971</u></b>	<b><u>0</u></b>
<b>Assets in total</b>	<b><u>669.044.956</u></b>	<b><u>443.998.557</u></b>

## Balance sheet 31 December

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All amounts in DKK.

### Equity and liabilities

<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Equity</b>		
6 Contributed capital	20.000.000	1.000.000
7 Results brought forward	7.343.691	-49.287.340
<b>Equity in total</b>	<b>27.343.691</b>	<b>-48.287.340</b>
 <b>Liabilities</b>		
Deposits	9.816.535	0
Debt to group enterprises	629.012.755	492.285.897
Other debts	1.445.649	0
Long-term liabilities in total	640.274.939	492.285.897
Other debts	1.426.326	0
Short-term liabilities in total	1.426.326	0
<b>Liabilities in total</b>	<b>641.701.265</b>	<b>492.285.897</b>
 <b>Equity and liabilities in total</b>	 <b>669.044.956</b>	 <b>443.998.557</b>

### 8 Contingent liabilities

## Notes

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All amounts in DKK.

	<u>2016</u>	<u>2015</u>
<b>1. Other financial costs</b>		
Financial costs, group enterprises	7.205.060	5.250.340
Other financial costs	<u>23.381</u>	<u>0</u>
	<b><u>7.228.441</u></b>	<b><u>5.250.340</u></b>
<b>2. Tax on results</b>		
Adjustment for the year of deferred tax	<u>-1.800.000</u>	<u>0</u>
	<b><u>-1.800.000</u></b>	<b><u>0</u></b>
<b>3. Other plants, operating assets, and fixtures and furniture</b>		
Cost 1 January 2016	0	0
Additions during the year	<u>10.985</u>	<u>0</u>
<b>Cost 31 December 2016</b>	<b><u>10.985</u></b>	<b><u>0</u></b>
Depreciation 1 January 2016	0	0
Depreciation for the year	<u>-1.000</u>	<u>0</u>
<b>Depreciation 31 December 2016</b>	<b><u>-1.000</u></b>	<b><u>0</u></b>
<b>Book value 31 December 2016</b>	<b><u>9.985</u></b>	<b><u>0</u></b>



## Notes

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All amounts in DKK.

	<u>31/12 2016</u>	<u>31/12 2015</u>
<b>4. Investment property</b>		
Cost 1 January 2016	488.210.897	0
Additions during the year	<u>159.652.311</u>	<u>488.210.897</u>
<b>Cost 31 December 2016</b>	<b><u>647.863.208</u></b>	<b><u>488.210.897</u></b>
Fair value adjustment 1 January 2016	-44.212.340	0
Adjust of the year to fair value	<u>57.449.132</u>	<u>-44.212.340</u>
<b>Fair value adjustment 31 December 2016</b>	<b><u>13.236.792</u></b>	<b><u>-44.212.340</u></b>
<b>Book value 31 December 2016</b>	<b><u>661.100.000</u></b>	<b><u>443.998.557</u></b>

The property, which is located in Copenhagen, is mainly used as student housing, totalling 20,947 squaremetres.

A determination of the return from the individual properties is based on the expected rental income by fully leased property. Expected operating costs, administration costs and maintenance costs are deducted. The subsequent value is adjusted in respect of recognised lack of lease for a reasonable period and expected costs for decoration and large maintenance projects etc. Likewise, deposits and prepaid lease are added. The rates of return have been determined on the basis of external brokers' evaluation of the market level.

The market value (book value) is based on a discount rate of 6,75 % applied on future cash flows and an expected rate of return of 4,7 %.

### Sensitivity analysis

An increase of the required rate of return by 1 percentage point would mean that the value of the investment properties is reduced by DKK 116.000.000 (90 mio. DKK after deferred tax). Consequently, the equity would be reduced from the present DKK -63.000.000.

An decrease of the required rate of return by 1 percentage point would mean that the value of the investment properties is increased by DKK 179.000.000 (140 mio. DKK after deferred tax). Consequently, the equity would be increased from the present to DKK 167.000.000 DKK.

	<u>31/12 2016</u>	<u>31/12 2015</u>
<b>5. Deferred tax assets</b>		
Deferred tax of the results for the year	<u>1.800.000</u>	<u>0</u>
	<b><u>1.800.000</u></b>	<b><u>0</u></b>

## Notes

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All amounts in DKK.

	<u>31/12 2016</u>	<u>31/12 2015</u>
<b>6. Contributed capital</b>		
Contributed capital 1 January 2016	1.000.000	1.000.000
Cash capital increase	<u>19.000.000</u>	<u>0</u>
	<b><u>20.000.000</u></b>	<b><u>1.000.000</u></b>
<b>7. Results brought forward</b>		
Results brought forward 1 January 2016	-49.287.340	0
Profit or loss for the year brought forward	<u>56.631.031</u>	<u>-49.287.340</u>
	<b><u>7.343.691</u></b>	<b><u>-49.287.340</u></b>

## 8. Contingent liabilities

### Joint taxation

REI Denmark Solvgade Holding A/S, company reg. no 37646881 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The total tax payable under the joint taxation amounts to DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.