

LNS 1 ApS

Industrivej 6
DK-5550 Langeskov

CVR no. 36 94 34 08

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting

on 30 MAY 20 17

Hansen Mir Pivine
chairman of the annual general meeting

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of LNS 1 ApS for the financial year 1 January – 31 December 2016.

The annual report has been 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 assets, liabilities and financial position at 31 December 2016 and of the results of the Company's activities 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 that the annual report be approved at the annual general meeting.

Langeskov, 30 May 2017
Executive Board:



Hermann Már
Þórisson



Independent auditor's report

To the shareholders of LNS 1 ApS

Opinion

We have audited the financial statements of LNS 1 ApS for the financial year 1 January – 31 December 2016, comprising income statement, balance sheet 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 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 – 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 responsibility for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view



Independent auditor's report

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 Statements Act.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 30 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in blue ink, reading 'Mikkel Trabjerg Knudsen'.

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant

Management's review

Operating review

Principal activities

The Company's objective is to own and rent real estate and any related business at the discretion of the Executive Board.

Development in activities and financial position

The Company reported a loss of DKK 4,582 thousand, which is not satisfactory.

During the year, impairment losses on property represented DKK 4,386 thousand.

Outlook

For the 2017 financial year, the Company expects to report break-even results before tax.

Material events after the end of the financial year

At 31 December 2017 and up until today, no events have occurred changing our assessment of the annual report.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2016	25/6-31/12 2015
Gross profit		1,469,303	-62,455
Depreciation and impairment losses	3	-5,140,882	-366,461
Operating profit/loss		-3,671,579	-428,916
Financial expenses	2	-910,417	-470,099
Profit/loss before tax		-4,581,996	-899,015
Profit/loss for the year		-4,581,996	-899,015
Proposed profit appropriation/distribution of loss			
Retained earnings		-4,581,996	-899,015
		-4,581,996	-899,015

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment	3		
Land and buildings		25,000,000	29,861,859
		<u>25,000,000</u>	<u>29,861,859</u>
Total fixed assets		<u>25,000,000</u>	<u>29,861,859</u>
Current assets			
Receivables			
Other receivables		0	15,614
		<u>0</u>	<u>15,614</u>
Cash at bank and in hand		1,307,066	79,114
Total current assets		<u>1,307,066</u>	<u>94,728</u>
TOTAL ASSETS		<u>26,307,066</u>	<u>29,956,587</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital		81,000	81,000
Retained earnings		2,017,989	6,599,985
Total equity		<u>2,098,989</u>	<u>6,680,985</u>
Liabilities			
Non-current liabilities			
Amounts owed to parent company (due within 5 years)		24,107,754	23,197,353
		<u>24,107,754</u>	<u>23,197,353</u>
Current liabilities			
Amounts owed to affiliated company		0	78,249
Other payables		100,323	0
		<u>100,323</u>	<u>78,249</u>
Total liabilities		<u>24,208,077</u>	<u>23,275,602</u>
TOTAL EQUITY AND LIABILITIES		<u>26,307,066</u>	<u>29,956,587</u>
Contingent liabilities	4		
Related party transactions	5		
Mortgages and collateral	6		

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Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Balance at 1 January 2016	81,000	6,599,985	6,680,985
Profit/loss for the year	0	-4,581,996	-4,581,996
Balance at 31 December 2016	<u>81,000</u>	<u>2,017,989</u>	<u>2,098,989</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of LNS 1 ApS for 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. Financial statements 1 January – 31 December

Income statement

Gross profit

In accordance with section 32 of the Danish Financial Statements Act, revenue is not disclosed. Revenue and other external costs are aggregated in gross profit/loss.

Revenue

Revenue comprising rental income is recognised in the period to which it relates.

Other external costs

Other external costs comprise administrative expenses, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on payables and transactions denominated in foreign currencies and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax on profit/loss for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates.

Balance sheet

Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

Cost comprise the purchase price and any cost directly attributable to the acquisition until the date on which the asset is available for use.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
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Land is not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Receivables

Receivables are measured at amortised cost. Write-down to net realisable value is made for projected bad debts.

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transactions costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

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	2016	25/6- 31/12 2015	
DKK			
2 Financial expenses			
Interest expenses, related parties	910,417	469,033	
Charges, etc.	0	1,066	
	<u>910,417</u>	<u>470,099</u>	
3 Property, plant and equipment			
DKK	Land and buildings	Plant and machinery	Total
Cost at 1 January 2016	30,228,320	0	30,228,320
Additions	190,992	88,031	279,023
Cost at 31 December 2016	<u>30,419,312</u>	<u>88,031</u>	<u>30,507,343</u>
Depreciation and impairment losses 1 January 2016	-366,461	0	-366,461
Depreciation	-738,634	-16,139	-754,773
Impairment losses	<u>-4,386,109</u>	<u>0</u>	<u>-4,386,109</u>
Depreciation and impairment losses at 31 December 2016	<u>-5,491,204</u>	<u>-16,139</u>	<u>-5,507,343</u>
Carrying amount at 31 December 2016	<u>24,928,108</u>	<u>71,892</u>	<u>25,000,000</u>

A put option has been entered into for the property, Industrivej 6, Langeskov, which is effective until 31 December 2017.

4 Contingent liabilities

The Company is jointly and severally liable for tax on the entities jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entity's liability. The Group as a whole is not liable to any other parties.

Financial statements 1 January – 31 December

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5 Related party transactions

LNS 1 ApS' related parties comprise the following:

Control

IEI II hf.
Lágmúli 9
108 Reykjavik
Iceland

which is the principal shareholder and part of IEI II hf., Iceland.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding the entire share capital.

IEI II hf.
Lágmúli 9
108 Reykjavik
Iceland

6 Mortgages and collateral

The Company has provided collateral at an amount of DKK 43,000 thousand secured upon its property whose carrying amount represents DKK 25,000 thousand.