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Gefion Group A/S

Østergade 1, 1.
1100 København K
Central Business Registration
No 37042560

Annual report 2018

The Annual General Meeting adopted the annual report on 04.04.2019

Chairman of the General Meeting

Name: Camilla Dalum

Contents

Entity details

Entity
Gefion Group A/S
Østergade 1, 1.
1100 København K

Central Business Registration No (CVR): 37042560
Registered in: København
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Peter Køhler Lindegaard, Chairman
Per Mikael Jensen
Jens-Erik Corvinius
Morten Bach Gaardboe

Executive Board
Thomas Færch, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Gefion Group A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 04.04.2019

Executive Board

Thomas Færch
CEO

Board of Directors

Peter Køhler Lindegaard Chairman	Per Mikael Jensen	Jens-Erik Corvinius
Morten Bach Gaardboe		

Independent auditor's report

To the shareholders of Gefion Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Gefion Group A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent 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 consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 04.04.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Andersen
State Authorised Public Accountant
Identification No (MNE) mne27762

Management commentary

	2018 DKK'000	2017 DKK'000
Financial highlights		
Key figures		
Revenue	482.988	5.238
Gross profit/loss	206.757	(9.416)
Operating profit/loss	166.064	(12.670)
Net financials	(63.090)	3.926
Profit/loss for the year	79.898	(10.602)
Profit/loss excl minority interests	79.898	(10.602)
Total assets	1.875.881	1.473.946
Investments in property, plant and equipment	309.161	26.727
Equity	55.840	(24.058)
Equity excl minority interests	55.840	(24.058)
Cash flows from (used in) operating activities	(183.492)	(1.079.976)
Cash flows from (used in) investing activities	(32.097)	(26.754)
Cash flows from (used in) financing activities	223.825	1.233.764
Ratios		
Gross margin (%)	42,8	(179,8)
Net margin (%)	16,5	(202,4)
Return on equity (%)	502,8	-
Equity ratio (%)	3,0	(1,6)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests x 100}}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The principal activities of the group are project development within real estate and related activities.

Development in activities and finances

2018 has shown a strong development in Gefion Group's activities in accordance with our expectations as set out in the 2017 annual report. The result for the year was a profit of DKK 80m which management considers satisfactory. The profit is transferred to next year.

Following the disposal of two projects and the addition of costs incurred in 2018, the book value of the development projects in progress has increased from DKK 1.2bn in 2017 to DKK 1.3bn in 2018. The projects in progress as per 31 December 2018 are expected to be completed during 2019-2022 with a sales value of more than DKK 5bn.

In May 2018 Ib Schønbergs Allé (228 student apartments) was completed and delivered and in October 2018 Tobakskollegiet (175 student apartments) was completed and delivered. In December 2018 we further divested our shareholding in the Blegdamsvej project.

Niels Juels Gade was originally purchased with the intention to develop the property into residential apartments and a hotel. However, during 2018 we revised the strategy for the project from residential and hotel to office use and decided to sell the project as an investment property. The entire property was leased out in H1 2018 and in March 2019 an unconditional purchase and sales agreement was signed with a buyer. Following the revision of the strategy and the letting of the entire property, Niels Juels Gade was reclassified to investment property for financial reporting purposes resulting in a significant positive value adjustment.
In accordance with the Danish Financial Statements Act, revenue from a development project is recognized when the project is sold, and all risks and rewards are transferred to the buyer. Therefore, the Group's revenue will fluctuate from year to year depending on the delivery schedule for the projects.

Selected projects

Development projects

In 2018 we have received building permits for our projects in Hans Knudsens Plads (app. 5,000 sqm. of student apartments and hotel), Amager Strandvej (app. 40,000 sqm of family apartments and offices), Rødovre Port (app. 37,500 sqm. of apartments and commercial/retail), Fuglebakkekollegiet (app. 4,300 sqm. of student apartments), Store Kongensgade (app. 5,000 sqm. of student apartments, supermarket and family apartments) and Ved Stadsgraven (app. 4,200 sqm. of apartments). In 2018 the local plan for our Engvej project (app. 23,000 sqm. of student apartments, hotel, daycare institution, fitness center and supermarket) was also approved, and we expect to receive building permit for the Engvej project in H1 2019. All these projects have either moved into the construction phase or are expected to move into the construction phase during the course of H1 2019.

We acquired two new projects in 2018; Oliebladsgade (app. 2,800 sqm commercial building to be converted

Management commentary

to student apartments) and Telegrafvej (app. 9,400 sqm commercial building to be converted to student apartments).

Financing
The initial investments in many of our projects are based on corporate bonds and partnerships with investors. In 2018 we have repaid bonds issued in Amager Strandvej, Tobakskollegiet and Engvej as well as a large number of private investors in various projects.

In 2018 we established Gefion Group Holdco ApS, a wholly owned subsidiary of Gefion Group A/S serving as a holding company for the majority of our property projects. The new holding company issued a DKK 260m corporate bond with final maturity in November 2022 including an extension option. We have experienced decreasing funding costs as well as a growing interest from domestic as well as international institutional investors in our corporate bonds.

During the course of 2018 we have secured construction financing facilities from a number of institutional investors and family offices.

In the beginning of 2019, we secured a significant construction financing agreement from a Danish Pension fund in the amount of DKK 865m for the Amager Strandvej project.

Investor sales
Our investor sales team completed the sale of shares in our projects Tobakskollegiet, Fuglebakkekollegiet and the first part of Amager Strandvej. For more information about investorsales, visit http://gefiongroup.com/p/investorsalg

Victoria Properties A/S
In December 2018 we acquired a majority shareholding in the Copenhagen Nasdaq listed real estate investment company Victoria Properties A/S. Our investment in Victoria Properties A/S is part of a plan to diversify the Group's real estate activities.

Uncertainty relating to recognition and measurement
Due to the nature of our business, there are uncertainties in various areas.

All development projects are subject to recurring budget reviews to assess the need for potential write downs for financial reporting purposes. In 2018 no impairment indications have been identified.

Depending on the contractual details, some of our projects may be classified as a financial instrument for financial reporting purposes and accordingly measured at fair value. The fair value is dependent on several assumptions such as maturity, construction budget etc. which may change over time.

Management commentary

Outlook

The expectations for the coming years are based on our budgeted results for the existing projects in our pipeline. Changes may come to budgets, timing etc.

Based on our strong project portfolio and the positive developments in the projects during the course of 2018 and start of 2019, we are positive regarding our forecasts for the period 2019 to 2022 covering our existing project portfolio.

The profit from a development project is subject to recognition by the time of completion and therefore we will see natural fluctuations in the reported earnings from year to year. Whereas 2017 was a weak year and 2018 was a strong year, 2019 is expected to show a gross profit between DKK 20m and DKK 50m and 2020 and 2021 are expected to show gross profits totaling app. DKK 400m based on the existing portfolio of projects with no additional projects assumed.

Particular risks

Gefion Group is exposed to commercial risks associated with property development. The most significant specific risks relate to

- Delays in the development process as a result of internal or external matters
- Availability of financing for completion of projects
- Currency risks related to debt denominated in NOK, SEK or EUR
- Buyers not being able to fulfil their contractual commitments
- Risk of contractors going bankrupt causing delays in the development projects
- Cyclic trends on the real estate market such as increasing yields in property valuations resulting in lower sales prices

Most of our debt carries a fixed interest rate and therefore we are not subject to a significant interest rate risk on our debt. As a consequence of the declining market for project sales ("projektsalg") our sales focus is mainly on the yield investor market which in turn has seen a strong development in 2018 amongst other driven by foreign investors.

Intellectual capital resources

In 2018 we have built and strengthened the organization by adding experienced resources in critical areas such as a new COO and a new CFO.

At the end of 2018 we have approximately 30 employees working in Gefion Group A/S organized in Development, Construction, Finance, Legal, Investor Sales and Support functions.

Statutory report on corporate social responsibility

CSR Policy

Gefion Group does not have a formalized corporate social responsibility policy due to amongst others the

Management commentary

facts that we are a small company with less than 50 employees with all commercial activities in the Group taking place in Denmark.

For these reasons we do not have specific policies within human rights, environment social matters and anti-corruption. The Board of Directors regularly assess the need to adopt policies for this area.

Business model

Gefion Group specializes in developing residential properties in the Greater Copenhagen Area. Through our large network and our business associates we find unique properties and sites that we develop and sell, either on our own or in collaboration with investors.

Our focus is on developing properties with untapped potential that can prove good investments. We develop all types of residential properties – freehold units, cooperative units, rental units, student units, detached houses and terraced houses. In addition to developing residential units, we develop retail and office units, although on a smaller scale and often in combination with housing projects.

We primarily develop properties with the intention of selling them, either under pre-sale contracts direct to end-users or to investors on buy-to-let basis.

Significant risks regarding human rights, environment, social matters and anti-corruption

Based on the size and nature of our business, we believe that we are not exposed to significant risks regarding human rights, environment, social matters or anti-corruption.

Statutory report on the underrepresented gender

Gefion Group believes in diversity and in appointing the best possible Board of Directors with no preferences for gender, age, sexual orientation, nationality or ethnic origin.

Gefion Group is not subject to the requirements in the Danish Companies Act and does not have a policy for the underrepresented gender.

Events after the balance sheet date

In the beginning of 2019, we secured a DKK 865m construction financing and refinancing facility from a large Danish pension fund, which secures the construction and completion of the Amager Strandvej project – our largest project. In connection with this, the existing bond debt amounting to app. DKK 320m and additional debt amounting to app. DKK 50m was repaid.

In February 2019 the “Stadsgraven” project was sold to an investor. Since we have a contractual obligation related to the shares, the contract is re-measured as a financial instrument at fair value in the 2018 financial statements.

Management commentary

In March 2019 an unconditional sales agreement related to Niels Juels Gade was signed. In accordance with Årsregnskabsloven, the property was reclassified for financial reporting purposes in 2018, and therefore the impact on the 2019 result is expected to be insignificant. In connection with the closing of the transaction in April 2019 bond debt amounting to app. DKK 200m will be repaid prior to the maturity date.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	2	482.988	5.238
Fair value adjustments of investment property	3	3.630	0
Own work capitalised	4	14.924	0
Other operating income	5	113.240	0
Cost of sales		(361.952)	0
Other external expenses	6	(46.073)	(14.654)
Gross profit/loss		**206.757**	**(9.416)**
Staff costs	7	(40.116)	(3.301)
Depreciation, amortisation and impairment losses		(577)	47
Operating profit/loss		**166.064**	**(12.670)**
Other financial income	8	21.083	4.871
Other financial expenses	9	(84.173)	(945)
Profit/loss before tax		**102.974**	**(8.744)**
Tax on profit/loss for the year	10	(23.076)	(1.858)
Profit/loss for the year	11	**79.898**	**(10.602)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Land and buildings		20.635	24.718
Investment property		316.100	0
Other fixtures and fittings, tools and equipment		68	18
Leasehold improvements		2.097	1.951
Property, plant and equipment	12	**338.900**	**26.687**
Investments in group enterprises		26.716	0
Other investments		4.240	20
Deposits		220	0
Other receivables		319	0
Deferred tax	14	0	4.761
Fixed asset investments	13	**31.495**	**4.781**
Fixed assets		**370.395**	**31.468**
Work in progress		1.321.279	1.234.119
Inventories	15	**1.321.279**	**1.234.119**
Trade receivables		245	64
Other receivables		45.334	79.289
Income tax receivable		68	0
Prepayments		2.591	1.273
Receivables		**48.238**	**80.626**
Cash	16	**135.969**	**127.733**
Current assets		**1.505.486**	**1.442.478**
Assets		**1.875.881**	**1.473.946**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		1.000	1.000
Retained earnings		54.840	(25.058)
Equity		**55.840**	**(24.058)**
Deferred tax	14	20.953	0
Provisions		**20.953**	**0**
Mortgage debt	17	12.202	0
Loans raised by the issuance of bonds	18	438.599	368.781
Debt to other credit institutions	19	208.114	369.809
Deposits		5.870	6.272
Non-current liabilities other than provisions		**664.785**	**744.862**
Bank loans		2	77.006
Loans raised by the issuance of bonds		836.264	85
Payables to other credit institutions		242.384	523.443
Trade payables		27.236	93.389
Payables to shareholders and management		13.000	52.955
Joint taxation contribution payable		0	133
Other payables		15.417	5.293
Deferred income		0	838
Current liabilities other than provisions		**1.134.303**	**753.142**
Liabilities other than provisions		**1.799.088**	**1.498.004**
Equity and liabilities		**1.875.881**	**1.473.946**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	21		
Contingent liabilities	22		
Assets charged and collateral	23		
Transactions with related parties	24		
Subsidiaries	25		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.000	(13.946)	(12.946)
Corrections of material errors	0	(11.112)	(11.112)
Adjusted equity, beginning of year	**1.000**	**(25.058)**	**(24.058)**
Profit/loss for the year	0	79.898	79.898
Equity end of year	**1.000**	**54.840**	**55.840**

Adjustment of material errors regarding previous years consists of adjustments relating to income taxes, capitalization of costs related to projects and amortization of loan costs.

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		166.064	(12.670)
Amortisation, depreciation and impairment losses		578	47
Working capital changes	20	(103.008)	(1.059.374)
Value adjustment of investment properties		(3.630)	0
Fair value adjustments, other operating income		(112.854)	0
Cash flow from ordinary operating activities		**(52.850)**	**(1.071.997)**
Financial income received		4.226	4.871
Financial expenses paid		(137.372)	(10.563)
Income taxes refunded/(paid)		2.504	(2.287)
Cash flows from operating activities		**(183.492)**	**(1.079.976)**
Acquisition etc of property, plant and equipment		(1.161)	(26.734)
Purchase of securities and investments		(30.936)	(20)
Cash flows from investing activities		**(32.097)**	**(26.754)**
Loans raised		811.205	1.226.915
Repayments of loans etc		(547.424)	(27.136)
Change in debt to shareholders and management		(39.956)	33.985
Cash flows from financing activities		**223.825**	**1.233.764**
Increase/decrease in cash and cash equivalents		**8.236**	**127.034**
Cash and cash equivalents beginning of year		127.733	699
Cash and cash equivalents end of year		**135.969**	**127.733**

Notes to consolidated financial statements

1. Events after the balance sheet date

In the beginning of 2019, we secured a DKK 865m construction financing and refinancing facility from a large Danish pension fund, which secures the construction and completion of the Amager Strandvej project – our largest project. In connection with this, the existing bond debt amounting to app. DKK 320m and additional debt amounting to app. DKK 50m was repaid.

In February 2019 the "Stadsgraven" project was sold to an investor. Since we have a contractual obligation related to the shares, the contract is re-measured as a financial instrument at fair value in the 2018 financial statements.

In February 2019 an unconditional sales agreement related to Niels Juels Gade was signed. In accordance with Årsregnskabsloven, the property was reclassified for financial reporting purposes in 2018, and therefore the impact on the 2019 result is expected to be insignificant. In connection with the closing of the transaction in April 2019, bond debt amounting to app. DKK 200m will be repaid prior to the maturity date.

2. Revenue

	2018 **DKK'00**	**2017** **DK'000**
Sales of projects	463.679	0
Rent income	15.811	1.453
Management fees	3.498	3.785
	482.988	**5.238**

3. Fair value adjustments of investment property

The fair value adjustment of investment property total DKK 3.630k, which represents the adjustment after the investment properties was transferred.

4. Own work capitalised

The own work capitalised consists of salaries etc. capitalised as inventory.

Notes to consolidated financial statements

5. Other operating income

Other operating income includes the following:	**2018**
	DKK'000
Fair value adjustment of project when transferred to investment property	96.853
Fair value adjustment of purchase obligation of shares	16.000

The fair value adjustment of project was estimated when management transferred the property during 2018. Please refer to note 12.

The Group has a purchase obligation related to shares in an unlisted project development entity, where the Group is involved in the development of the project. The fair value was estimated by management, taking into consideration the estimated value at the time of the obligation, the risks associated with the underlying project and the amount was discounted. The amount is Management's best estimate, but there is an uncertainty related to the judgments and estimates made in the fair value calculation.

	2018 DKK'000	**2017 DKK'000**
6. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	671	290
Other assurance engagements	258	114
Tax services	577	174
Other services	1.275	1.155
	2.781	**1.733**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
7. Staff costs		
Wages and salaries	33.652	2.474
Pension costs	3.437	750
Other social security costs	78	1
Other staff costs	2.949	76
	40.116	**3.301**
Average number of employees	**23**	**4**

	Remuneration of management 2018 DKK'000
Total amount for management categories	4.831
	4.831

	2018 DKK'000	2017 DKK'000
8. Other financial income		
Other interest income	798	0
Exchange rate adjustments	16.857	4.871
Other financial income	3.428	0
	21.083	**4.871**

	2018 DKK'000	2017 DKK'000
9. Other financial expenses		
Exchange rate adjustments	2.772	0
Other financial expenses	81.401	945
	84.173	**945**

	2018 DKK'000	2017 DKK'000
10. Tax on profit/loss for the year		
Change in deferred tax	23.076	1.837
Adjustment concerning previous years	0	21
	23.076	**1.858**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
11. Proposed distribution of profit/loss		
Retained earnings	79.898	(10.602)
	79.898	**(10.602)**

	Land and buildings DKK'000	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
12. Property, plant and equipment				
Cost beginning of year	24.718	0	19	1.990
Transfers	(4.000)	4.000	0	0
Additions	0	308.470	60	631
Cost end of year	**20.718**	**312.470**	**79**	**2.621**
Depreciation and impairment losses beginning of year	0	0	(1)	(39)
Depreciation for the year	(83)	0	(10)	(485)
Depreciation and impairment losses end of year	**(83)**	**0**	**(11)**	**(524)**
Fair value adjustments for the year	0	3.630	0	0
Fair value adjustments end of year	**0**	**3.630**	**0**	**0**
Carrying amount end of year	**20.635**	**316.100**	**68**	**2.097**

Investment properties consist of two properties, one of which totals approximately 99% of the total value.

This investment property was transferred from inventory as management during 2018 decided not to develop this property further, and entered into a long-term lease contract. At the date the transfer, management recognized a gain in other operating income, cf. note 5.

The property is an office building in central Copenhagen of 7.647 m2 including basement, leased 100% to one tenant on a 5.5 year-contract (31 December 2018). The fair value is based on a yield of 4.2%. Sentitivity analysis shows that a yield increase of 0.25 percentage points would reduce the fair value of the property with 17.5 million, and a reduction of 0.25 percentage points would increase the value with 19.0 million. The property is valued at approximately 42,000 DKK/m2. Where basement is weighted at 50%.

After the balance sheet date, the Group entered into a conditional sales agreement with an investor, supporting the valuation.

Investment property includes capitalized interest expenses and financing costs of DKK 25.403k.

Notes to consolidated financial statements

	Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
13. Fixed asset investments				
Cost beginning of year	0	20	0	0
Additions	26.716	4.220	220	319
Disposals	0	0	0	0
Cost end of year	**26.716**	**4.240**	**220**	**319**
Carrying amount end of year	**26.716**	**4.240**	**220**	**319**

	Deferred tax DKK'000
13. Fixed asset investments	
Cost beginning of year	4.761
Additions	0
Disposals	(4.761)
Cost end of year	**0**
Carrying amount end of year	**0**

Investment in Group enterprises of DKK 26.716k consists of the investment in Victoria Properties A/S in December 2018. The subsidiary has not been consolidated in accordance with the Danish Accounts Act, section 114, as the intention is not to remain the controlling shareholder. Gefion Group's plan for Victoria Properties is that the capital increases in 2019 mentioned in the offer document will dilute the investment so Gefion Group no longer will be controlling Victoria Properties.

Investment in Group enterprises:

Subsidiaries	Equity interest %	Profit for the year DK'000	Equity DK'000
Victoria Properties A/S	70	566	12.039

Notes to consolidated financial statements

14. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax beginning of year	(4.761)	(4.199)
Recognized in the consolidated income statement	23.076	1.837
Deferred tax in acquired or sold entities	2.638	(2.399)
Deferred tax end of year	**20.953**	**(4.761)**

15. Inventories

Inventories includes capitalized interest expenses and financing costs of DKK 234.518k (2017: DKK 97.177k).

16. Cash and cash equivalents

Cash includes DKK 125.363k where the use is restricted to specific purposes, such as interest payments, project development or construction or pledged as security.

17. Long-term mortgage debt

	Outstanding debt after 5 years DKK'000	Debt in total 31 Dec 2018 DKK'000
Long-term mortgage debt	6.705	12.202
	6.705	**12.202**

18. Loans raised by the issuance of bonds

	Outstanding debt after 5 years DKK'000	Debt in total 31 Dec 2018 DKK'000
Loans raised by the issuance of bonds	0	438.599
	0	**438.599**

Notes to consolidated financial statements

19. Long-term debt to other credit institutions

	Outstanding debt after 5 years DKK'000	Debt in total 31 Dec 2018 DKK'000
Long-term debt to other credit institutions	0	208.114
	0	**208.114**

Debt to other credit institutions consist of project financing loans.

	2018 DKK'000	2017 DKK'000
20. Change in working capital		
Increase/decrease in inventories	(93.588)	(1.092.671)
Increase/decrease in receivables	47.849	(67.281)
Increase/decrease in trade payables etc	(57.269)	100.578
	(103.008)	**(1.059.374)**

21. Unrecognised rental and lease commitments

The Company has entered into rent contracts, the rent contracts have an expected term of up to 19 months, and the total outstanding commitment is DKK 358k.

22. Contingent liabilities

The Group is involved in a few disputes and legal cases. None of those is expected to have a significant impact on the Group's financial position.

One of the Group's entities is joint liable with other entities participating an a de-merger. The maximum obligation is DKK 79 million.

23. Assets charged and collateral

Mortgage debt, loans raised by the issuance of bonds and debt to other credit institutions is secured by way of mortgage on projects (inventory) with a net book value of DKK 1.132.134k and mortgage on land and buildings with a net book value of DKK 20.635k. In addition the debt is secured by pledging of shares in subsidiaries.

Notes to consolidated financial statements

24. Transactions with related parties

The Group has had transactions with shareholders and entities controlled by the shareholders which comprises the following:

The Group took over employees and related holiday obligations during 2018 from entities controlled by the shareholders

Management fees charged DKK 3.498k

Management fees paid 1.133k

Loans and other payables is shown in the balance sheet

The Group sold 5 entities with no activity for a total value of DKK 259k

The Group bought one project entity with related liabilities for DKK -74k

Other transactions with related parties:

Salaries to management is shown in note 7

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
25. Subsidiaries			
Gefion Investorsalg A/S	København	A/S	100,0
Amager Strandvej I A/S	København	A/S	100,0
Gefion Amager Strandvej II A/S	København	A/S	100,0
Gefion Sejlhusene A/S	København	A/S	100,0
Gefion Amager Strandvej IV A/S	København	A/S	100,0
Gefion Group Holdco ApS	København	ApS	100,0
Rødovre Port Holding A/S	København	A/S	100,0
Rødovre City 2 ApS	København	ApS	100,0
GG Engvej 155 Holding 1 ApS	København	ApS	100,0
GG Engvej 155 Holding ApS	København	ApS	100,0
GG Engvej 155 Holdco ApS	København	ApS	100,0
GG Development 8 ApS	København	ApS	100,0
STK 100 & 106 Holding ApS	København	ApS	100,0
GG Development 3 ApS	København	ApS	100,0
GG St. Kongensgade 100 & 106 P/S	København	P/S	100,0
Komplementarselskabet GG St. Kongensgade 100 & 106 ApS	København	ApS	100,0
Oliebladsgade Holding 1 ApS	København	ApS	100,0
Oliebladsgade 8 Holding ApS	København	ApS	100,0
Oliebladsgade 8 ApS	København	ApS	100,0
GG AMS Holding 1 ApS	København	ApS	100,0
GG AMS Holding 2 ApS	København	ApS	100,0
GG Amager Strandvej Holding ApS	København	ApS	100,0
Amager Strandvej 60-64/Ved Amagerbanen 37 ApS	København	ApS	100,0
HKP 1A Holding ApS	København	ApS	100,0
K/S GG 6	København	K/S	100,0
Niels Juels Gade 9-13 Holding 1 ApS	København	ApS	100,0
Niels Juels Gade 9-13 Holding ApS	København	ApS	100,0
Niels Juels Gade 9-13 ApS	København	ApS	100,0
Kanalgaden 3 Holding A/S	København	A/S	100,0
Telegrafvej 5A Holding 1 ApS	København	ApS	100,0
Telegrafvej 5A Holding ApS	København	ApS	100,0
Telegrafvej 5A ApS	København	ApS	100,0
Gefion Group Investments A/S	København	A/S	100,0

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
25. Subsidiaries (continued)			
Ib Schønbergs Allé Holding ApS	København	ApS	100,0
GG Development 4 ApS	København	ApS	100,0
Vandværket 1 ApS	København	ApS	100,0
Gefion Fuglebakkekollegiet A/S	København	A/S	100,0
GG Østergade 1 ApS	København	ApS	100,0
GG 8 Petite Rue ApS	København	ApS	100,0
GG Development 17 A/S	København	A/S	100,0
GG Development 18 ApS	København	ApS	100,0
GG Development 2 ApS	København	ApS	100,0
Komplementarselskabet GG 6 ApS	København	ApS	100,0
Komplementarselskabet GG 10 ApS	København	ApS	100,0
GG development 5 ApS	København	ApS	100,0

The following subsidiaries has been sold and are only consolidated for a period of 2018.

GG Development 6 ApS
K/S GG Tobaksvejen 2 C
Tobaksvejen 2 C Holding ApS
Tobakskollegiet A/S
Ib Schønberg Allé ApS
Komplementar selskabet GG 8 ApS
Komplementarselskabet GG 9 ApS
Komplementarselskabet Fredens Gaard ApS
Komplementarselskabet GG 12 ApS
Komplementarselskabet Lundsgade 9 ApS
GG Komplementar ApS

Parent income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	21.572	3.745
Other operating income		16.000	0
Other external expenses		(31.068)	(12.638)
Gross profit/loss		**6.504**	**(8.893)**
Staff costs	2	(40.890)	(3.301)
Depreciation, amortisation and impairment losses		(495)	(40)
Operating profit/loss		**(34.881)**	**(12.234)**
Income from investments in group enterprises		41.401	0
Other financial income	3	2.563	1.625
Other financial expenses	4	(21.743)	(5.592)
Profit/loss before tax		**(12.660)**	**(16.201)**
Tax on profit/loss for the year	5	5.203	3.572
Profit/loss for the year	6	**(7.457)**	**(12.629)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Other fixtures and fittings, tools and equipment		68	18
Leasehold improvements		2.097	1.951
Property, plant and equipment	7	**2.165**	**1.969**
Investments in group enterprises		57.116	37.641
Receivables from group enterprises		5.851	40.754
Other investments		4.220	0
Deposits		220	0
Deferred tax	9	9.354	4.151
Fixed asset investments	8	**76.761**	**82.546**
Fixed assets		**78.926**	**84.515**
Receivables from group enterprises		15.378	58.142
Other receivables		25.810	1.193
Prepayments	10	436	377
Receivables		**41.624**	**59.712**
Cash	11	**13.960**	**3.187**
Current assets		**55.584**	**62.899**
Assets		**134.510**	**147.414**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital		1.000	1.000
Retained earnings		(23.294)	(15.837)
Equity		**(22.294)**	**(14.837)**
Bank loans		2	0
Loans raised by the issuance of bonds		0	50.000
Payables to other credit institutions		28.471	50.934
Trade payables		4.218	2.900
Payables to group enterprises		111.646	1.101
Payables to shareholders and management		0	52.955
Income tax payable		4	0
Other payables		12.463	4.361
Current liabilities other than provisions		**156.804**	**162.251**
Liabilities other than provisions		**156.804**	**162.251**
Equity and liabilities		**134.510**	**147.414**
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.000	(27.715)	(26.715)
Changes in accounting policies	0	11.878	11.878
Adjusted equity, beginning of year	**1.000**	**(15.837)**	**(14.837)**
Profit/loss for the year	0	(7.457)	(7.457)
Equity end of year	**1.000**	**(23.294)**	**(22.294)**

Notes to parent financial statements

1. Revenue

	2018 DKK'00	2017 DK'000
Management fees	21.572	3.745
	21.572	**3.745**

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	34.427	2.474
Pension costs	3.437	750
Other social security costs	78	1
Other staff costs	2.948	76
	40.890	**3.301**
Average number of employees	**23**	**4**

	Remunera-tion of manage-ment 2018 DKK'000
Total amount for management categories	4.831
	4.831

	2018 DKK'000	2017 DKK'000
3. Other financial income		
Financial income arising from group enterprises	798	1.379
Other interest income	236	0
Other financial income	1.529	246
	2.563	**1.625**

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	2.320	1.511
Other interest expenses	17.115	2.968
Exchange rate adjustments	11	0
Other financial expenses	2.297	1.113
	21.743	**5.592**

	2018 DKK'000	2017 DKK'000
5. Tax on profit/loss for the year		
Current tax	0	(2)
Change in deferred tax	(5.203)	(3.570)
	(5.203)	**(3.572)**

	2018 DKK'000	2017 DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	(7.457)	(12.629)
	(7.457)	**(12.629)**

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
7. Property, plant and equipment		
Cost beginning of year	19	1.990
Additions	60	631
Cost end of year	**79**	**2.621**
Depreciation and impairment losses beginning of year	(1)	(39)
Depreciation for the year	(10)	(485)
Depreciation and impairment losses end of year	**(11)**	**(524)**
Carrying amount end of year	**68**	**2.097**

Notes to parent financial statements

	Invest-ments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments				
Cost beginning of year	37.641	40.754	0	0
Additions	56.175	0	4.220	220
Disposals	(36.700)	(34.903)	0	0
Cost end of year	**57.116**	**5.851**	**4.220**	**220**
Carrying amount end of year	**57.116**	**5.851**	**4.220**	**220**

	Deferred tax DKK'000
8. Fixed asset investments	
Cost beginning of year	4.151
Additions	5.203
Disposals	0
Cost end of year	**9.354**
Carrying amount end of year	**9.354**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9. Deferred tax

Deferred tax asset is expected to be utilized within the next years from the joint taxation with the subsidiaries. Management expects significant positive income in the subsidiaries from sale of projects.

10. Prepayments

Prepayments consists of prepaid expenses.

11. Cash

Cash includes DKK 5.559k where the use is restricted to specific purposes, such as interest payments, project development or construction or pledged as security.

12. Unrecognised rental and lease commitments

The Company has entered into rent contracts, the rent contracts have an expected term up to 36 months, and the total outstanding commitment is DKK 4.621k.

Notes to parent financial statements

13. Contingent liabilities

The Entity has issued guarantees or surety for subsidiaries' bond debt and debt to other credit institutions totaling DKK 296 million.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

14. Assets charged and collateral

Debt to other credit institutions are secured by receivables from group enterprises with a book value of DKK 5,8 million.

Shares in subsidiaries with a book value of DKK 55 million is pledged as security for debt in subsidiaries.

15. Related parties with controlling interest

The company has no related parties with controlling interest.

16. Transactions with related parties

The Entity had transactions with wholly-owned subsidiaries.

Apart from this, the Entity has had had transactions with shareholders and entities controlled by the shareholders which comprises the following:

The Entity took over employees and related holiday obligations during 2018 from entities controlled by the shareholders
Management fees charged DKK 3.498k
Loans and other payables is shown in the balance sheet
The Entity sold 5 entities with no activity for a total value of DKK 259k

Other transactions with related parties:
Salaries to management is shown in note 2

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

In the consolidated financial statements, the Company has adjusted the classification of certain assets and liabilities. The comparables has been adjusted accordingly. The adjustments have not affected the result or equity.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year except as mentioned below.

Material errors in previous years
Adjustment of material errors regarding previous years consists of adjustments relating to income taxes, capitalization of costs related to projects and amortization of loan costs. The adjustments only affected the consolidated financial statements.

Changes in accounting policies
The parent company has changed accounting principles for measurement of investment in group enterprises. Previously the investments was measured using the equity method. This has been changed so investments in group enterprises are measured at cost and written down to a lower recoverable amount.

Management believes the cost price principle better reflects the activities of the Group.

The change in accounting principle had the following effect:

Result of subsidiaries would have been DKK 61 million higher
Result for the year would have been DKK 61 million higher

Investments in Group enterprises, total assets and equity would have been DKK 49 million higher.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and

Accounting policies

measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

One subsidiary, Victoria Properties A/S was not consolidated. Please refer to note 13 to the consolidated F/S.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries determined to be businesses are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Revenue
The sale method is used to recognize income on projects sold. Thus, profit are recognized once the project has been sold, construction completed and all essential elements of the sales agreement fulfilled, including delivery and transfer of risk to the buyer.

Where the Group is in charge of development, letting and construction management, etc. on behalf of investors and receives fee income for such services, the fee income is recognized as income on a continuous basis in step with the provision of services.

Accounting policies

Where a sold project consist of several instalment deliveries that can be segregated and the financial effect can be assessed separately and measured reliably for each delivery, the profit on the individual instalment delivery is recognized when all essential elements of the agreement have been fulfilled.

Rental income on completed projects and investment properties is accrued and recognized in accordance with the lease agreements concluded.

Fair value adjustments of investment property
Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Own work capitalised
Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for inventory.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales
Project costs consist of all costs relating to projects incurred to generate the year's revenue and includes direct project costs, as well as interest during the construction period, and indirect costs, determined as a percentage of staff costs etc.

Moreover, this item includes any impairment losses on projects in progress or completed and the expensing of project development costs to the extent that the relevant projects are not expected to be realized.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets and project costs.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year, as well as gain and losses from the sale of subsidiaries.

Accounting policies

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Accounting policies

Fair value is determined by using the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Investments in group enterprises
Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments
Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Inventories
Work in progress consist of real property projects.

The project portfolio is recognized on the basis of the direct cost attributable to the projects, including interest during the project period. Where considered necessary, the projects have been written down to a lower value, and the capitalized amounts are subjected to impairment tests on a continuous basis to ensure that the assets are written down to the extent that the carrying amount exceeds the estimated net realizable value.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at

Accounting policies

their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
At the time of borrowing, loans are measured at cost which corresponds to the proceeds received less transaction costs incurred. Loans are subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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

Joint taxation contributions receivable or payable
Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital

Accounting policies

and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.