

# Sparinvest Property Fund IV K/S

CVR-no. 37 12 78 76

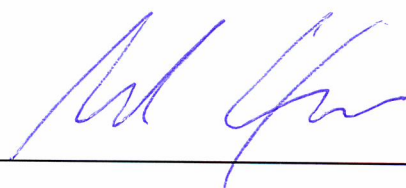
Strandvejen 102 E, 4<sup>th</sup> floor  
2900 Hellerup

## Annual report

1 October 2016 - 30 September 2017

2<sup>nd</sup> financial year

Approved at the annual general meeting on 31 January 2018

A handwritten signature in blue ink, consisting of stylized, cursive letters, is positioned above a horizontal line.

Chairman

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# 1 Statement by the general partner and independent auditor's report

## 1.1 Statement by the general partner

The general partner has today considered and approved the annual report of Sparinvest Property Fund IV K/S (Fund) for the period 1 October 2016 - 30 September 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.


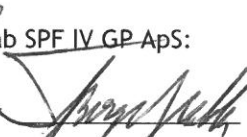

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report is approved at the annual general meeting.

Hellerup, 1 December 2017

Komplementarselskab SPF IV GP ApS:

		
Peter V. Carøe Chairman	Birger Grubbe Board member	Bo W. Jensen Board member

## **Independent auditor's report**

### **To the limited partners of Sparinvest Property Fund IV K/S**

#### **Opinion**

We have audited the consolidated financial statements and the Parent Company financial statements of Sparinvest Property Fund IV K/S for the financial year 1 October 2016 - 30 September 2017, which comprise an income statement, balance sheet and notes, including accounting policies, for the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the Parent Company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 Company financial statements**

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

In preparing the consolidated financial statements and the Parent Company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and the Parent Company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and Parent Company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the Parent 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the Parent Company financial statements, including the note disclosures, and whether the consolidated financial statements and the Parent Company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company 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 consolidated financial statements or the Parent Company 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the Parent Company 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's review.

Copenhagen, 1 December 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Ole Karstensen  
State Authorised  
Public Accountant  
mne16615

  
Kaare Kristensen Lendorf  
State Authorised  
Public Accountant  
mne33819

## 2 Management's review

### 2.1 Company details

Sparinvest Property Fund IV K/S  
Strandvejen 102E, 4th floor  
DK-2900 Hellerup  
Telephone: + 45 36 34 75 00

Registration no.: 37 12 78 76  
Established: 30 September 2015  
Registered office: Hellerup  
Financial year: 1 October - 30 September  
Bank: Nykredit Bank

#### Investor Board

Helle Ærendahl Heldbo  
Nikolaj Stampe  
Jørn Styczen  
Erik Veedfald  
Jan Henrik Willard  
Clemenz Fraessdorf  
Niels Mazanti  
Søren Friedrichsen  
Thomas Overvad  
Per Skovsted  
Nina Movin

#### Management

Komplementarselskab SPF IV GP ApS, Strandvejen 102E, 4th floor, 2900 Hellerup v/  
Chairman Peter V. Carøe  
Board member Birger Grubbe  
Board member Bo W. Jensen

#### Auditors

Ernst & Young P/S  
Godkendt Revisionspartnerselskab  
Osvald Helmuths Vej 4  
DK-2000 Frederiksberg

#### Annual general meeting

The annual general meeting is to be held on 31 January 2018.



## 2.2 Business concept and objectives

### 2.2.1 *Business concept*

Sparinvest Property Fund IV K/S' business concept is investment in and management of indirect investments in foreign property via international partners.

At 30 September 2017, Sparinvest Property Fund IV K/S had given commitments to 15 property investments and the following diversification had been obtained on the three geographic regions, measured as commitments including the effect of gearing:

Region	Current investment volume based on actual gross asset value in the investments
Europe	31.8%
Americas	61.1%
Asia	7.2%

At this early stage of SPF IV's life, the fund is still being invested and thus temporary violations to the restrictions are expected.

### 2.2.2 *Long-term objectives*

The Fund's objectives are to generate an attractive total rate of return of 11-13% per annum, including approximately 4% in dividends from operating cash flow.

## 2.3

### The year at a glance

Real estate is still attractive, and high demand for real estate benefits our investments. In combination with low interest and growing economies, the future looks bright for the Fund.

Profit for the year amounted to EUR 4.5 million, equalling 3.3%, which is in line with the expectations.

As a result of implementing changes in the Danish Financial Statements Act act no. 738 of 1 June 2015, which became effective on 1 January 2016, with the effect that positive fair value adjustments on investments in foreign property recognised as associates from 2016 is no longer recognised at the income statement but is recognised directly at the equity.

The effect of the above mentioned change has reduced the profit in the financial year 2016/17 with EUR 693 thousand and with EUR 3,890 thousand in the financial year 2015/16 compared to previous accounting policies. If all the fair value adjustments on investments in foreign property investments were recognised in the income statement, the key figures of the income statement would have been as followed as per 30 September 2017:

	Income statement for the Group 30 September 2017			Income statement for Parent Company 30 September 2017		
EUR000	All fair value adjustments recognised in income statement	Adjustment	Accounting policies	All fair value adjustments recognised in income statement	Adjustment	Accounting policies
Fair value adjustment of property investments	5,014	626	5,640	2,344	1,563	3,907
Impairment adjustments for associates	0	-5,167	-5,167	0	-3,685	-3,685
<b>Operating profit</b>	<b>12,050</b>	<b>-4,541</b>	<b>7,509</b>	<b>7,767</b>	<b>-2,122</b>	<b>5,645</b>
Profit from group entities	0	0	0	634	-356	278
Financial income	31	0	31	312	0	312
Financial expenses	-7,622	3,849	-3,773	-4,253	1,785	-2,468
<b>Profit for the year</b>	<b>4,459</b>	<b>-693</b>	<b>3,767</b>	<b>4,459</b>	<b>-693</b>	<b>3,767</b>

The investments continue to be recognised at fair value, and the change in the accounting policies has no any effect on the balance sheet or the equity.

#### 2.3.1

### Operating activities

In the financial year 2016/17, the Group generated a positive operating profit of EUR 7,509 thousand. Profit after foreign exchange adjustments and financial expenses amounted to EUR 3,767 thousand.

Fair value adjustment of foreign investment propertyies is mainly driven by the fair value adjustment in FPA Apartment Opportunity Fund V.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 1,877 thousand.

Financial income for the year totalled EUR 31 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 3,773 thousand.

#### 2.3.2 ***Financing***

In the financial year, the investors in the Group made capital injections (cash calls) of EUR 131.2 million.

The limited partner's committed capital totalled EUR 504.8 million. Undrawn capital amounted to EUR 308.5 million. There is not assessed to be any risk in connection with payment of the undrawn commitment.

#### 2.3.3 ***Investments***

At the end of the financial year, total commitments to investments amounted to EUR 343.7 million, equivalent to 68.1% of total commitments to the Fund. Of the total commitments, net investments made (cash calls) totalled EUR 186.1 million or approx. 36%.

#### 2.3.4 ***Parent Company***

In the financial year 2016/17, the Parent Company generated a positive operating profit of EUR 5.645 thousand. Profit after foreign exchange adjustments, financial income and financial expenses was positive by EUR 3,767 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 1,026 thousand.

Financial income for the year totalled EUR 312 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 2,468 thousand.

#### 2.3.5 ***Uncertainties relating to recognition and measurement in investment in property investments***

In the Parent Company, investments in property investments and investments in subsidiaries are measured at fair value. The measurement includes accounting estimates and is, therefore, subject to uncertainty.

#### 2.3.6 ***Events after the balance sheet date***

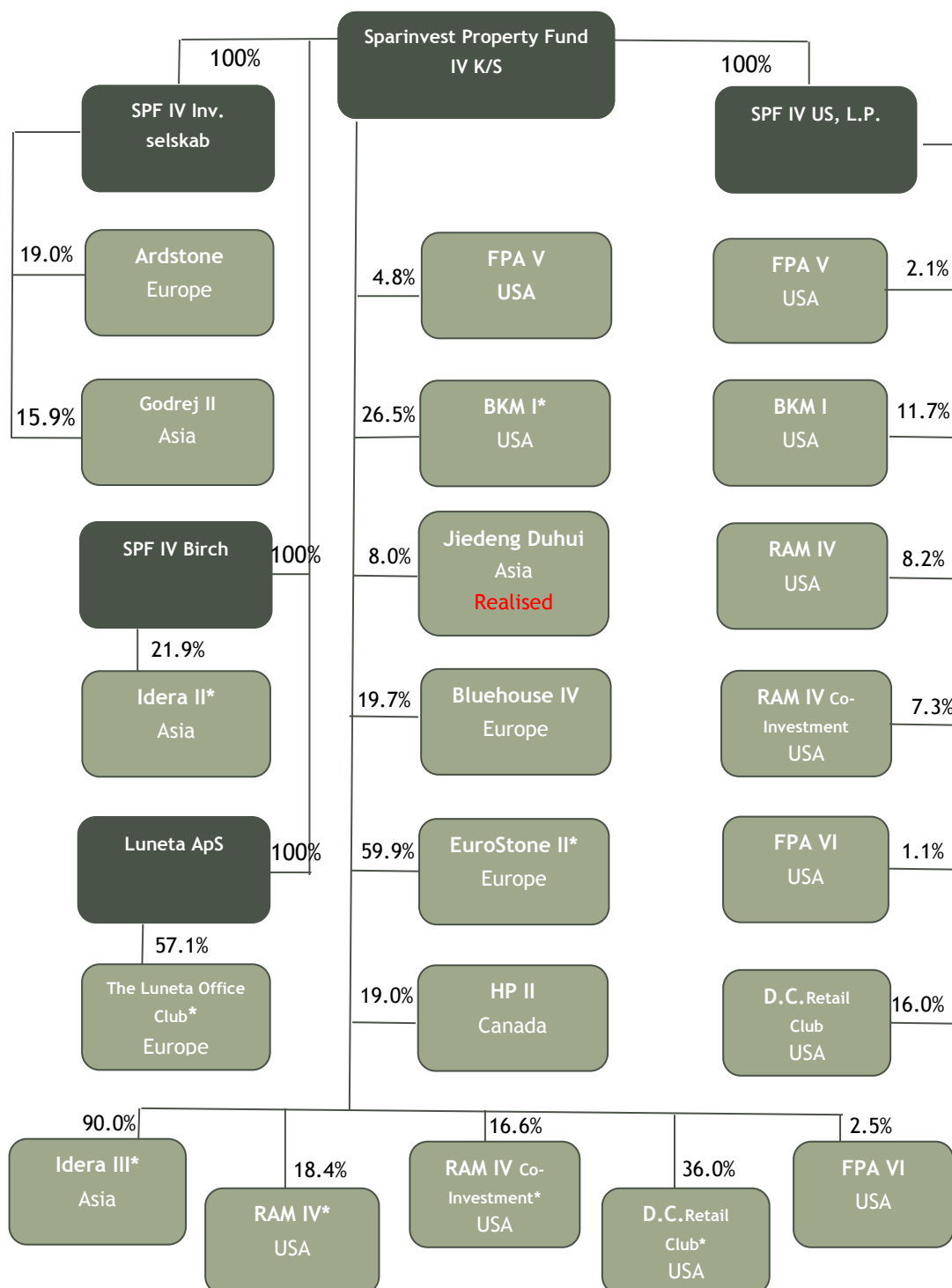
The management company of Sparinvest Property Fund IV, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017.

This will not have any effect to the current management agreement between Sparinvest Property Fund IV and Sparinvest Property Investors II A/S.

#### 2.3.7

##### ***Outlook***

Going forward we expect satisfying performance as the fund will finalize its investment program. Our expectations for the coming financial year is a total return of 10-12% before currency.



*Note: The above mentioned percentages refer to Sparinvest Property Fund IV K/S' ownership shares in each of the investments. The country/region specification refers to the location of the assets.*

*\*The Company has, as a consequence of the structure, characteristics and contractual agreement of the fund, no significant influence on the fund.*

## 2.5 Group financial highlights

EUR 1,000	30.09.2017	30.09.2016
Net operating income from properties	8,913	210
Fair value adjustment of foreign investments and properties	5,640	328
Impairment adjustments for associates	-5,167	-98
Operating profit	7,509	-1,359
Profit/loss from financial income and expenses	-3,742	-764
<b>Profit for the year</b>	<b>3,767</b>	<b>-2,122</b>
<b>Investments</b>	<b>191,330</b>	<b>80,094</b>
<b>Total assets</b>	<b>197,140</b>	<b>80,563</b>
Cash calls from limited partners	196,228	64,993
Equity called during the period	131,235	64,993
<b>Total equity</b>	<b>197,076</b>	<b>66,761</b>
<b>Non-current liabilities</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>	<b>64</b>	<b>13,802</b>
Cash flows from operating activities	-4,547	-2,474
Net cash flows from investing activities, net	-104,355	-75,799
Cash flows from financing activities	125,856	64,993
<b>Total cash flows</b>	<b>16,954</b>	<b>-13,280</b>
Weighted rate of return in % <i>(Profit for the year/weighted investment in property investments)</i>	3.3	6.0
DPI <i>(distributions/contributions)</i>	0.03	0.00
TVPI <i>(total investments + distributions / total capital paid in)</i>	1.03	1.03

***Special risks*****Operating risks**

The Fund's most significant operating risks are related to the development of the property market and general economic risks. During the investment period, the Fund mitigated the risks by diversified investments in the European, American and Asian markets.

**Financial risks**

Apart from liabilities relating to operating activities and trading activities, the Fund has no debt and investments are not leveraged. For each of the foreign property investments, no investments have been made in investments with leverage - the proportion between liabilities and assets - exceeding 70%. The leverage total for all property investments may not exceed 60%. The current leverage in the investments made in foreign property investments is 48.5%. Accordingly, the financial risk is assessed as moderate.

**Foreign exchange risks**

The Fund makes investments in foreign property investments in foreign currency. No hedging of foreign currency risks on long-term investments is made. At their own discretion, the Fund's investors may decide to hedge the underlying risk on an investment.

**Knowledge resources**

The Fund makes investments based on an overall assessment of potential property investments using a systematised selection method involving external consultants, when necessary. When selecting investments, the personal knowledge and competencies of the partners are decisive. Consequently, the Fund has ensured strong alignment of the partners through financial incentives.

**Environmental matters**

The Fund's operations have no direct environmental impact, but the Fund intends to contribute to a minimal environmental impact through its investment policy.

**Research and development activities**

During the financial year, the Fund had no research and development activities and none are expected in the coming financial year.

### 3 Accounting policies

The annual report of Sparinvest Property Fund IV K/S has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

#### **Changes in accounting policies**

In order to achieve a true and fair view of operations of the Fund, the presentation of the income statement has been changed compared to the reporting form shown in schedule 2 to the Danish Financial Act. Fair value adjustment of investment in property investments and liabilities and net operating income from properties is presented as an item under operating profit.

Effective 1 January 2016, the Fund has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

#### **Investment in associates**

Investments in associates are measured at fair value, see section 41 of the Danish Financial Statements Act, and value adjustments are taken directly to equity. Value adjustments are made on a continuous basis, and revaluations and reversals relative to cost are now recognised in a special reserve under equity called "Revaluation reserve". Previously, these revaluations were recognised in the income statement. Write-downs are, as previously, recognised in the income statement.

Comparative figures have been restated in the income statement and notes to reflect the policy change. The accumulated effect of the above-mentioned change has been shown below:



### Income statement for the Group:

	2016/17			2015/16		
EUR'000	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
Net operating income from properties	8,913	0	8,913	210	0	210
Fair value adjustment of property investments	5,014	626	5,640	4,203	-3,875	328
Impairment adjustments for associates	0	-5,167	-5,167	0	-98	-98
Administrative expenses	-1,877	0	-1,877	-1,799	0	-1,799
<b>Operating profit</b>	<b>12,050</b>	<b>-4,541</b>	<b>7,509</b>	<b>2,614</b>	<b>-3,972</b>	<b>-1,359</b>
Financial income	31	0	31	1,192	-947	245
Financial expenses	-7,622	3,849	-3,773	-2,038	1,029	-1,009
<b>Profit for the year</b>	<b>4,459</b>	<b>-693</b>	<b>3,767</b>	<b>1,768</b>	<b>-3,890</b>	<b>-2,122</b>

### Income statement for the Parent Company:

	2016/17			2015/16		
EUR'000	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
Net operating income from properties	6,449	0	6,449	84	0	84
Fair value adjustment of property investments	2,344	1,563	3,907	2,460	-2,108	352
Impairment adjustments for associated entities	0	-3,685	-3,685	0	0	0
Administrative expenses	-1,026	0	-1,026	-743	0	-743
<b>Operating profit</b>	<b>7,767</b>	<b>-2,122</b>	<b>5,645</b>	<b>1,801</b>	<b>-2,108</b>	<b>-307</b>
Profit from group entities	634	-356	278	-83	-1,993	-2,078
Financial income	312	0	312	992	0	992
Financial expenses	-4,253	1,785	-2,468	-940	211	-729
<b>Profit for the year</b>	<b>4,459</b>	<b>-693</b>	<b>3,767</b>	<b>1,770</b>	<b>-3,890</b>	<b>-2,122</b>

The change has not had any financial effect on the balance sheet or on equity for the two years in question.

Apart from the above-mentioned change, the accounting policies are consistent with those of last year.

The consolidated cash flow statement is only comprised of the Group in accordance with section 86(4) of the Danish Financial Statements Act.

### Basis of preparation

The annual report has been presented in EUR, rounded to the nearest thousand.

**Recognition and measurement**

All income in relation to the financial year is recognised in the income statement as earned. Negative value adjustments in respect of investments in foreign property investments are also recognised in the income statement.

Equally, costs incurred to generate the year's earnings are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Fund and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits from the Fund is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below. In recognising and measuring assets and liabilities, expected losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

**Foreign currency translation**

EUR is used as the functional currency. Transactions denominated in other currencies than EUR are considered transactions denominated in foreign currencies.

On initial recognition, investments in property investments are translated to EUR at the exchange rates at the transaction date. Subsequent fair value adjustments of investments in property investments are recognised in the income statement at the same historical exchange rate to the effect that exchange rate adjustments do not affect the operating profit. Differences arising between the exchange rate at the balance sheet date and the historical exchange rate are recognised in the income statement as financial items. Financial items are specified in the note regarding financial income and expenses on investments in foreign property investments and other items.

Receivables, payables and other monetary items denominated in foreign currencies are translated to EUR at the exchange rate or forward price at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate in the latest annual report is recognised in the income statement as financial income or expenses.

Investments in foreign property investments are translated at the exchange rate at the balance sheet date.

### **Consolidated financial statements**

The consolidated financial statements comprise the Parent Company Sparinvest Property Fund IV K/S and subsidiaries in which the Parent Company directly or indirectly holds the majority of the voting rights or which it, through shareholding or in some other way, controls.

On consolidation, similar items are aggregated. Intra-group income and expenses, shareholdings, dividends, balances and realised and unrealised gains on intra-group transactions are eliminated.

The Parent Company's investments in consolidated subsidiaries are set off against the Parent Company's share of the subsidiaries' equity value at the date when the subsidiary was acquired.

## **3.1**

### **Income statement**

#### **Net operating income from properties**

In the income statement, net operating income received from properties translated at the weighted historical exchange rates at the transaction date is recognised as income.

#### **Fair value adjustment of investments in property investments**

In the income statement, fair value adjustment of property investments translated at the weighted historical exchange rates at the transaction date for cash calls are recognised as income.

Value adjustments due to changes in exchange rates are recognised as financial income or expenses.

#### **Administrative expenses**

Administrative expenses comprise expenses for management fee to Sparinvest Property Investors II A/S, transaction costs in connection with investments, remuneration to the general partner and audit fee.

The Fund has entered into a management agreement regarding the Fund's activities. A fixed management fee is paid.

#### **Financial income and expenses**

Financial income and expenses comprise foreign exchange adjustments of investments in foreign property investments, other realised and unrealised foreign exchange adjustments and interest.

### **Tax on profit/loss for the year**

Sparinvest Property Fund IV K/S is not a separate entity subject to taxation. The tax liability in respect of the Fund's earnings is incumbent on the individual investors of the Fund. For this reason, no tax is calculated on the Fund's earnings, and withholding of foreign tax on dividends from property investments is charged directly to the Fund's investors.

## **3.2**

### **Balance sheet**

#### **Investments in subsidiaries**

Investments in subsidiaries are recognised and measured according to the equity method.

The proportionate ownership share of the subsidiaries' equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in subsidiaries".

The total net revaluation of investments in subsidiaries is transferred via distribution of profit to "Reserve for net revaluation according to the equity method" under equity. The reserve is reduced by distribution of dividends to the Parent Company and is adjusted by other changes in equity in subsidiaries.

#### **Investments in associates**

On initial recognition, investments in associates are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

The proportionate ownership share of the associates equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in associates".

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

#### **Investments in foreign property investments**

On initial recognition, investments in property investments are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is

determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

#### **Loan to foreign property investments**

On initial recognition loan to foreign property investments are recognised in the balance sheet at fair value. Subsequently loan to foreign property investments are measured to amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of the loans.

#### **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Receivables from limited partners regarding cash calls receivable, etc., are recognised at nominal value.

#### **Equity**

Investments by limited partners are recognised when cash calls are made. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

The reserve for net revaluation according to the equity method is determined as the total net revaluation of investments in subsidiaries less distribution of dividends to the Parent Company and adjusted by other changes in equity in subsidiaries.

Fair value adjustments of investments in associates are made on a continuous basis, and revaluations and reversals relative to cost are recognised in a special reserve under equity called "Revaluation reserve".

Dividends for the year are disclosed as a separate item under proposed distribution of profit for the year.

#### **Liabilities**

Liabilities (current and non-current) are included when the Fund, as a consequence of an event occurring no later than on the balance sheet date, has a

legal or constructive obligation and an outflow of economic benefits from the Fund to settle the obligation is probable. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

#### **Cash flow statement**

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning of the year and the statement shows the cash position at the end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated as profit/loss for the year adjusted for changes in working capital and non-cash operating items such as value adjustments. The working capital comprises fixed assets minus current liabilities - excluding items included in cash and cash equivalents.

#### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from and to investments in property investments.

#### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from and to the investors.

### **3.3**

#### **Accounting estimates and judgements**

The determination of the carrying amount of property investments and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on fair value calculations from property investments, historical experiences and other factors assessed by Management to be reliable in the circumstances, but which by nature are associated with uncertainty and unpredictability.

The assumptions made may prove incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Fund is subject to risks and uncertainties, which may lead to actual results differing from the estimates. Particular risks for Sparinvest Properties Fund IV K/S are mentioned in the Management's review.

It may be necessary to change previously made estimates as a consequence of changes in the circumstances on which the previous estimates were based or due to new knowledge or subsequent events.

Estimates essential to the financial reporting may for example comprise determination of the value of the underlying investments in foreign property

investments. Because of the measurement principles used, the calculation of fair value will be subject to uncertainty.

## 4 Consolidated financial statement and Parent Company financial statement for 1 October 2016 - 30 September 2017

### 4.1 Income statement

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
1	Net operating income from properties	8,913	210	6,449	84
2	Fair value adjustment of foreign investment properties	5,640	328	3,907	352
3	Impairment adjustments for associates	-5,167	-98	-3,685	0
4	Administrative expenses	1,877	1,799	1,026	743
	<b>Operating profit</b>	<b>7,509</b>	<b>-1,359</b>	<b>5,645</b>	<b>-301</b>
	Profit from group entities	0	0	278	-2,078
5	Financial income	31	245	312	992
6	Financial expenses	3,773	1,009	2,468	729
	<b>Profit for the year</b>	<b>3,767</b>	<b>-2,122</b>	<b>3,767</b>	<b>-2,122</b>
<b>Proposed distribution of the profit for the year</b>					
	Dividend to limited partners	2,162	0	2,162	0
	Charged the limited partners	0	0	0	0
	Retained earnings	1,605	-2,122	1,327	-2,122
	Reserve for net revaluation, equity method	0	0	278	0
	<b>Total distribution</b>	<b>3,767</b>	<b>-2,122</b>	<b>3,767</b>	<b>-2,122</b>



## 4.2

## Balance sheet

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	<b>Assets</b>				
	<b>Non-fixed assets</b>				
	<b>Investments</b>				
7	Investments in subsidiaries	0	0	41,680	15,146
8	Investments in associates	70,934	60,800	30,838	22,587
9	Investments in foreign property investments	70,602	13,416	55,206	7,446
10	Loan to foreign property investments	49,794	5,878	49,794	5,878
	Loan to subsidiaries	0	0	24,013	9,321
	<b>Total investments</b>	<b>191,330</b>	<b>80,094</b>	<b>201,531</b>	<b>60,377</b>
	<b>Total non-fixed assets</b>	<b>191,330</b>	<b>80,094</b>	<b>201,531</b>	<b>60,377</b>
	<b>Fixed assets</b>				
	Receivables in subsidiaries	0	0	0	20,176
	Other receivables	2,136	11	2,136	10
	Cash at bank and in hand	3,674	458	0	0
	<b>Total fixed assets</b>	<b>5,810</b>	<b>469</b>	<b>2,136</b>	<b>20,186</b>
	<b>Total assets</b>	<b>197,140</b>	<b>80,563</b>	<b>203,667</b>	<b>80,563</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	<b>Equity and liabilities</b>				
11	<b>Equity</b>				
	Investments by limited partners	196,228	64,993	196,228	64,993
	Reserve for net revaluation, equity method	0	0	278	0
	Retained earnings	848	1,768	571	1,768
	<b>Total equity</b>	<b>197,076</b>	<b>66,761</b>	<b>197,076</b>	<b>66,761</b>
	<b>Liabilities</b>				
	<b>Current liabilities</b>				
	Credit banks	0	13,738	1,083	13,739
	Payables to subsidiaries	0	0	5,444	0
	Other payables	64	64	64	64
	<b>Total current liabilities</b>	<b>64</b>	<b>13,802</b>	<b>6,591</b>	<b>13,802</b>
	<b>Total liabilities</b>	<b>64</b>	<b>13,802</b>	<b>6,591</b>	<b>13,802</b>
	<b>Total equity and liabilities</b>	<b>197,140</b>	<b>80,563</b>	<b>203,667</b>	<b>80,563</b>

12 Contingent assets, liabilities and security

13 Related parties

14 Currency and interest rate risks and use of derivative financial instruments

15 Events after the balance sheet date

16 Exemption from filing requirements

### 4.3 Cash flow statement

#### Group

EUR 1,000	30 Sept. 2017	30 Sept. 2016
Profit	3,767	-2,122
<b>Adjustment for non-cash operating items</b>		
Value adjustment of property investments and loans	-13,550	-466
Impairment adjustments for associates	5,167	98
Unrealised exchange adjustments of property investments and loans	2,194	-37
<b>Cash flow from operating activities before changes in working capital</b>	<b>-2,422</b>	<b>-2,527</b>
<b>Changes in working capital</b>		
Changes in receivables	-2,125	-11
Changes in current liabilities	0	64
<b>Cash flow from operating activities</b>	<b>-4,547</b>	<b>-2,474</b>
Acquisition of investments in associates	-47,753	-58,571
Acquisition of investments in property investments	-58,460	-18,135
Loan for foreign property investments	-44,028	-5,497
Disposal of investments in property investments	4,832	4,722
Disposal of investments in associates	33,144	1,563
Distribution from property investments and loans	7,910	119
<b>Cash flow from investing activities</b>	<b>-104,355</b>	<b>-75,799</b>
<b>External financing</b>		
Investments by limited partners	131,235	64,993
Exits to limited partners	-3,217	0
Dividend to limited partners	-2,162	0
<b>Cash flow from financing activities</b>	<b>125,856</b>	<b>64,993</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>16,954</b>	<b>-13,280</b>
Cash and cash equivalents at the beginning of the period	-13,280	0
Net cash flows from operating, investing and financing activities	16,954	-13,280
<b>Cash and cash equivalents at 30 September</b>	<b>3,674</b>	<b>-13,280</b>

## 5 Notes

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
<b>1</b>	<b>Net operating income from properties</b>				
	FPA Apartment Opportunity Fund V	1,628	205	1,129	80
	BKM Industrial Value Fund I	5,059	5	3,508	4
	Ardstone Residential Partners	0	0	0	0
	Godrej Residential Partnership II	0	0	0	0
	Jiedeng Duhui Building	1,449	0	1,449	0
	Idera Residential Partnership II	325	0	0	0
	Bluehouse Property Fund IV	0	0	0	0
	EuroStone Residential Partnership II	160	0	160	0
	Hungerford Properties Opportunity Fund II	0	0	0	0
	The Luneta Office Club	0	0	0	0
	Ram Realty Partners IV	291	0	202	0
	Idera Special Opportunity	0	0	0	0
	Ram IV Co-Investment	0	0	0	0
	<b>Total net operating income from properties</b>	<b>8,913</b>	<b>210</b>	<b>6,449</b>	<b>84</b>
<b>2</b>	<b>Fair value adjustment of investments in foreign property investments</b>				
	FPA Apartment Opportunity Fund V	6,200	-141	4,294	-9
	Ardstone Residential Partners	218	0	218	0
	Godrej Residential Partnership II	-173	108	0	0
	Jiedeng Duhui Building	-361	361	-361	361
	Bluehouse Property Fund IV	53	0	53	0
	Hungerford Properties Opportunity Fund II	-297	0	-297	0
	<b>Fair value adjustment of property investments</b>	<b>5,640</b>	<b>328</b>	<b>3,907</b>	<b>352</b>
<b>3</b>	<b>Impairment adjustments for associates</b>				
	Impairment adjustments for associates	-5,167	-98	-3,685	0
	<b>Total impairment adjustments for associates</b>	<b>-5,167</b>	<b>-98</b>	<b>-3,685</b>	<b>0</b>
<b>4</b>	<b>Administrative expenses</b>				
	Management fee Sparinvest Property Investors II A/S	1,495	1,472	979	597
	Administrative expenses	382	327	47	146
	<b>Total administrative expenses</b>	<b>1,877</b>	<b>1,799</b>	<b>1,026</b>	<b>743</b>

No persons are employed in the company

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
4	<b>Administrative expenses (continued)</b>				
	Fees for auditors appointed by the annual general meeting				
	<b>Total fee for EY (incl. VAT)</b>	<b>77</b>	<b>25</b>	<b>68</b>	<b>10</b>
	<b>Specified as follows:</b>				
	Audit	23	19	10	10
	Other assistance	54	6	58	0
	<b>Total</b>	<b>77</b>	<b>25</b>	<b>68</b>	<b>10</b>
	Management remuneration is settled through the fee to the General Partner amounting to EUR 14 thousand.				
5	<b>Financial income</b>				
	Unrealised foreign exchange gains, property investments and loans	0	245	0	69
	Other foreign exchange gains	31	0	0	0
	Interest income from subsidiaries	0	0	312	923
	Other financial income	0	0	0	0
	<b>Total financial income</b>	<b>31</b>	<b>245</b>	<b>312</b>	<b>992</b>
6	<b>Financial expenses</b>				
	Interest losses	576	618	0	618
	Unrealised foreign exchange losses, property investments	2,194	189	1,277	31
	Realised foreign exchange losses, property investments	1,003	92	682	9
	Other foreign exchange losses	0	110	509	71
	<b>Total financial expenses</b>	<b>3,773</b>	<b>1,009</b>	<b>2,468</b>	<b>729</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
7	<b>Investments in subsidiaries</b>				
	Acquisition cost at the beginning of the financial year	0	0	15,229	0
	Additions during the year	0	0	25,900	15,229
	Disposals during the year	0	0	0	0
	<b>Acquisition cost at year end</b>	<b>0</b>	<b>0</b>	<b>41,129</b>	<b>15,229</b>
	Value adjustments at the beginning of the financial year	0	0	-83	0
	Profit for the year	0	0	278	-2,078
	Value adjustments	0	0	356	1,995
	Distributed from the profit for the year	0	0	0	0
	<b>Value adjustments at year end</b>	<b>0</b>	<b>0</b>	<b>551</b>	<b>-83</b>
	<b>Carrying amount at 30 September</b>	<b>0</b>	<b>0</b>	<b>41,680</b>	<b>15,146</b>
	Investments in subsidiaries regard the 100% ownership in SPF IV US, L.P, which has place of residence in USA, and 100% ownership in SPF IV Birch ApS, SPF IV Investeringselskab ApS and Luneta ApS, which have place of residence in Denmark.				
	<b>Name</b>	<b>Region</b>	<b>Carrying amount at 30/9 2017</b>	<b>Ownership</b>	<b>Carrying amount at 30/9 2016</b>
	SPF IV US, L.P	America	10,444	100%	2,630
	SPF IV Birch ApS	Europe	9,195	100%	9,578
	SPF IV Investeringselskab ApS	Europe	16,308	100%	2,938
	Luneta ApS	Europe	5,733	100%	0
	<b>Total</b>		<b>41,680</b>		<b>15,146</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
8	<b>Investments in associates</b>				
	Acquisition cost at the beginning of the financial year	57,008	0	20,691	0
	Additions during the year	47,753	58,571	15,081	21,774
	Disposals during the year	-33,144	-1,563	-3,483	-1,084
	<b>Acquisition cost at year end</b>	<b>71,617</b>	<b>57,008</b>	<b>32,289</b>	<b>20,691</b>
	Value adjustments at the beginning of the financial year	3,792	0	1,897	0
	Value adjustments	960	3,751	370	1,897
	Distributed	-5,435	41	-3,718	-1
	<b>Value adjustments at year end</b>	<b>-683</b>	<b>3,792</b>	<b>-1,451</b>	<b>1,897</b>
	<b>Carrying amount at 30 September</b>	<b>70,934</b>	<b>60,800</b>	<b>30,838</b>	<b>22,587</b>
	<i>Value adjustments recognised over the income statement are specified as follows:</i>				
	Net operating income from properties	5,836	5	3,870	4
	Impairment adjustments for associates	-5,167	-98	-3,685	0
	Realised foreign exchange adjustment property investments	-401	-46	-152	-3
		<b>268</b>	<b>-138</b>	<b>33</b>	<b>1</b>
	<i>Value adjustments recognised in the equity are specified as follows:</i>				
	Fair value adjustments of property investments	2,017	3,972	337	2,108
	Unrealised foreign exchange income, property investments	0	947	0	0
	Unrealised foreign exchange losses, property investments	-1,324	-1,029	0	-211
		<b>693</b>	<b>3,890</b>	<b>337</b>	<b>1,897</b>
	<b>Total value adjustments</b>	<b>960</b>	<b>3,751</b>	<b>370</b>	<b>1,897</b>

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
BKM Industrial Value Fund I	USA	20,184	26.5%	22,587	26.5%
Ram Realty Partners IV*	USA	4,629	18.4%	0	0.0%
Ram IV Co-investment*	USA	1,425	16.6%	0	0.0%
Eurostone Residential Partnership II	Europe	1,087	59.9%	0	0.0%
Idera Special Opportunity	Asia	3,514	90.0%	0	0.0%
<b>Total Parent Company</b>		<b>30,838</b>		<b>22,587</b>	
Ardstone	Europe	0	0.0%	18,767	32.2%
The Luneta Office Club	Europe	21,016	57.1%	0	0.0%
Idera Residential Partnership II	Asia	7,479	21.9%	9,459	22.1%
BKM Industrial Value Fund I*	USA	8,924	11.7%	9,987	11.7%
Ram Realty Partners IV*	USA	2,047	8.2%	0	0.0%
Ram IV Co-investment*	USA	630	7.3%	0	0.0%
<b>Total Group</b>		<b>70,934</b>		<b>60,800</b>	

*\*Classified as an associate in the consolidated financial statements*



Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
9	<b>Investments in foreign property investments</b>				
	Acquisition cost at the beginning of the financial year	13,413	0	7,436	0
	Additions during the year	58,460	18,135	48,371	7,437
	Disposals during the year	-4,832	-4,722	-3,353	-1
	<b>Acquisition cost at year end</b>	<b>67,041</b>	<b>13,413</b>	<b>52,454</b>	<b>7,436</b>
	Value adjustments at the beginning of the financial year	3	0	9	0
	Value adjustments	4,929	163	3,685	83
	Distribution from property funds	-1,371	-160	-944	-73
	<b>Value adjustments at year end</b>	<b>3,561</b>	<b>3</b>	<b>2,750</b>	<b>9</b>
	<b>Carrying amount at 30 September</b>	<b>70,602</b>	<b>13,416</b>	<b>55,206</b>	<b>7,446</b>
	<i>Value adjustments are specified as follows:</i>				
	Fair value adjustments of property investments	5,311	-33	3,578	-9
	Net operating income from properties	1,628	205	1,129	80
	Realised foreign exchange adjustment property investments	-257	-46	-185	-6
	Unrealised foreign exchange income, property investments	0	195	0	19
	Unrealised foreign exchange losses, property investments	-1,753	-159	-837	-1
	<b>Total value adjustments</b>	<b>4,929</b>	<b>163</b>	<b>3,685</b>	<b>84</b>

#### Foreign property investments:

Name	Region	Carrying amount at	Ownership	Carrying amount at	Ownership
		30/9 2017		30/9 2016	
FPA Apartment Opportunity Fund V	America	17,962	4.8%	7,446	4.8%
Ardstone Residential Partners	Europe	29,443	19.0%	0	0.0%
Bluehouse Property Fund IV	Europe	6,325	19.7%	0	0.0%
Hungerford Properties Opportunity Fund II	Canada	1,476	19.0%	0	0.0%
<b>Total Parent Company</b>		<b>55,206</b>		<b>7,446</b>	
FPA Apartment Opportunity Fund V	America	7,821	2.1%	3,164	2.1%
Godrej Residential Partnership II	Asia	7,575	15.9%	2,806	15.9%
<b>Total Group</b>		<b>70,602</b>		<b>13,416</b>	

On initial recognition, property investments are measured at cost translated at the exchange rates at the transaction date. Subsequently property investments are measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each Fund based on the fair value of the net assets in the fund comprising underlying properties and related liabilities.

SPF IV invests in managed real estate funds, which are not quoted on an active market. The investments in these funds will generally be classified as Level 3 in the fair value hierarchy. The valuation models applied for the real estate funds assets will typically be based on (i) discounted cash flow analysis; (ii) direct capitalisation method; and/or (iii) comparable sales method. The real estate funds reflect its real estate equity investments net of investment level financing. Increases or decreases in any of the assumptions in isolation would result in a lower or higher fair value measurement.

The real estate funds generally invest in real estate and real estate related investments for which there is no liquid market. The market price for such investments may not be readily ascertainable. As a result, amounts ultimately realised by the fund from investments sold may differ from the fair value presented and the difference could be material.

The review of the valuation process is performed by the management of Sparinvest Property Investors A/S ("SPI"). SPI considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate.

SPI bases their ongoing review of the valuation process on the information reported from the real estate funds in their annual financial statements and quarterly reports. In SPI's review of the valuation process, the obtained reported information is compared to what is budgeted or expected by the management of SPI and, if the information is not in accordance with what is expected, the management engages in dialog with the real estate funds in order to clarify any irregularities. At least once every year, SPI ensures that an external valuation of all the assets in the funds is carried out.

The following table shows information about the by the real estate funds used unobservable inputs related to the fair value measurement at 30 September 2017 as per their quarterly reports:

### Foreign property investments:

At 30 September 2017						
	Type	Asset class	Valuation techniques	Unobservable inputs	Weighted average	Vacancy
FPA Apartment Opportunity Fund V	Investment in real estate equity	Residential (stabilised)	Direct capitalisation method	Capitalisation	5.9%	9.0%
		Residential (under contract to sell)	Quoted price in market	Newly aquired	Newly aquired	N/A
Ardstone Residential Partners	Real estate development	Residential	a) Quoted (unadjusted) market prices b) Discounted cash flow	N/A	N/A	N/A
Godrej Residential Partnership II	Real estate development	Residential	Discounted cash flow (unobservable inputs used for discount rate/ cost of equity calculated using CAPM)	a) Risk free rate of return b) Market rate of return c) Beta (systemic risk) d) Alpha (asset specific risk)	a) 7.5% b) 15% c) 1.16% d) Range: 6.0%-10.0%	N/A
Bluehouse Property Fund IV	Investment in real estate equity	Office	Discounted cash flow	Discount rate	6.67%	12%
Hungerford Properties Opportunity Fund II	Investment in real estate equity	Logistics/ industrial	a) Direct capitalization b) Discounted cash flow c) Direct comparison approach	a) Capitalization rate b) Discount rate c) Qualitative and quantitative adjustment to comparable properties	a) N/A b) N/A c) N/A	37.6%

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
10	<b>Loan to foreign property investments</b>				
	Loan at the beginning of the financial year	5,497	0	5,497	0
	Loan during the year	66,990	5,497	66,990	5,497
	Payment during the period	-22,962	0	-22,962	0
	<b>Loan at year end</b>	<b>49,524</b>	<b>5,497</b>	<b>49,524</b>	<b>5,497</b>
					-
	Value adjustments at the beginning of the financial year	381	0	381	0
	Value adjustments	992	381	992	381
	Distribution from loans	-1,104	0	-1,104	0
	<b>Value adjustments at year end</b>	<b>270</b>	<b>381</b>	<b>270</b>	<b>381</b>
					-
	<b>Carrying amount at 30 September</b>	<b>49,794</b>	<b>5,878</b>	<b>49,794</b>	<b>5,878</b>
	<i>Value adjustments are specified as follows:</i>				
	Impairment adjustments	329	0	329	0
	Net operating income from loans	1,449	0	1,449	0
	Realised foreign exchange adjustment loans	-345	0	-345	0
	Unrealised foreign exchange income, loans	0	381	0	381
	Unrealised foreign exchange losses, loans	-441	0	-441	0
	<b>Total value adjustments</b>	<b>992</b>	<b>381</b>	<b>992</b>	<b>381</b>

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
11	<b>Equity</b>				
	<b>The Fund's equity capital</b>				
	Equity called at the beginning of the financial year	64,993	0	64,993	0
	Equity called during the period	131,235	64,993	131,235	64,993
		<b>196,228</b>	<b>64,993</b>	<b>196,228</b>	<b>64,993</b>
	<b>Reserve for net revaluation according to the equity method</b>				
	Reserve for net revaluation according to the equity method at the beginning of the financial year	0	0	0	0
	Transferred according to distribution of the profit	0	0	278	0
		<b>0</b>	<b>0</b>	<b>278</b>	<b>0</b>
	<b>Retained earnings</b>				
	Retained earnings at the beginning of the financial year	1,768	0	1,768	0
	Distributions, exits in foreign property investments	-3,217	0	-3,217	0
	Fair value adjustments of property investments	693	3,890	337	1,897
	Fair value adjustments in subsidiaries	0	0	356	0
	Transferred according to distribution of the profit	1,605	-2,122	1,327	-129
	<b>Total retained earnings</b>	<b>848</b>	<b>1,768</b>	<b>571</b>	<b>1,768</b>
	<b>Total equity</b>	<b>197,076</b>	<b>66,761</b>	<b>197,076</b>	<b>66,671</b>

The subscribed equity capital consists of 504,752 shares of EUR 1,000 each allocated to 504,000 A Shares and 752 B Shares. The subscribed equity is specified as follows:

Total subscribed equity capital	504,752
Equity called	-196,228
Commitments for additional investments	308,524

The subscribed equity capital hasn't changed since final closing.

**Limited partners holding more than 5% of the subscribed capital:**

Lærernes Pension forsikringsaktieselskab  
SEB Pensionsforsikring  
Pensionskassen for Sygeplejersker og Lægesekretærer  
Juristernes- og Økonomernes Pensionskasse  
Lægernes Pensionskasse  
Pensionskassen for Socialrådgivere/-pædagoger og kontorphersonale  
Pensionskassen for Sundhedsfaglige

## 12 Contingent assets, liabilities and security

EUR million	Commitment		Residual commitment	
Fund	Currency	EUR	Currency	EUR
FPA Apartment Opportunity Fund V	USD 20.8	18.7	USD 0.7	0.6
BKM Industrial Value Fund I	USD 27.7	25.1	USD 5.6	4.8
Ardstone Residential Partners	EUR 35.0	35.0	EUR 5.8	5.8
Bluehouse Property Fund IV	EUR 30.0	30.0	EUR 24.4	24.4
Eurostone Residential Partnership II	EUR 30.0	30.0	EUR 9.6	9.6
Hungerford Properties Opportunity Fund II	CAD 40.0	27.3	CAD 25.6	17.4
Ram Realty Partners IV	USD 24.2	21.1	USD 18.2	15.4
Ram IV Co-investment	USD 5.5	4.7	USD 3.7	3.1
Washington D.C. Urban Retail Club	USD 20.8	17.6	USD 20.8	17.6
FPA Apartment Opportunity Fund VI	USD 13.9	11.7	USD 13.9	11.7
<b>Total Parent Company</b>				<b>110.4</b>
FPA Apartment Opportunity Fund V	USD 9.2	8.2	USD 5.5	0.3
BKM Industrial Value Fund I	USD 12.3	11.0	USD 2.4	2.1
Godrej Residential Partnership II	USD 35.0	31.3	USD 26.0	22.0
Ram Realty Partners IV	USD 10.8	9.3	USD 8.1	6.8
Ram IV Co-investment	USD 2.5	2.1	USD 1.6	1.4
Washington D.C. Urban Retail Club	USD 9.2	7.8	USD 9.2	7.8
FPA Apartment Opportunity Fund VI	USD 6.1	5.2	USD 6.1	5.2
<b>Total</b>				<b>156.0</b>

### 13 Related parties

Sparinvest Property Fund IV K/S has the following related parties exercising control:

SPF IV GP ApS, registration no. 37 76 90 61 is general partner in Sparinvest Property Fund IV K/S. As general partner the company has the general management responsibility for Sparinvest Property Fund IV K/S. However, a management agreement with a management company was entered when founding Sparinvest Property Fund IV K/S, see below. As general partner SPF IV GP ApS receives a fixed fee. Transactions have been made on an arm's length basis.

On behalf of SPF IV GP ApS, Sparinvest Property Investors II A/S, registration no. 32 46 88 88 has entered into an agreement with Sparinvest Property Fund IV K/S on management of Sparinvest Property Fund IV K/S. As management company Sparinvest Property Investors II A/S receives a fee calculated as a percentage of obtained commitments to invest in foreign property investments. Transactions have been made on an arm's length basis. No other transactions between Sparinvest Property Fund IV K/S and Sparinvest Property Investors II A/S have taken place.

BMK Holding ApS, registration no. 29 24 30 34 owns 30% of the share capital in Sparinvest Property Investors II A/S. No transactions between the companies have taken place during the financial year.

#### Investor Board and partners

The Fund's Investor Board does not receive any fees. The partners receive fees from the administration company in accordance with the administration agreement made with the management company.

#### Other related parties

The Fund's other related parties comprise the Sparinvest Group. No transactions between the companies have taken place during the financial year.

The Fund's other related parties comprise the owners of BMK Holding ApS and SPF IV GP ApS. These are BWJ Holding ApS, registration no. 28 48 79 32, MR ApS, registration no. 28 70 16 67, KDJ ApS, registration no. 28 70 10 04, who hold equal shares of the capital in BMK Holding ApS and SomeCapital OY who in addition to the 3 first mentioned is part owner of SPF IV GP ApS. In addition also the Groups with Sparinvest Property Fund K/S CVR nr. 29 31 60 58, Sparinvest Property Fund II K/S CVR nr. 32 47 15 60, and Sparinvest Property Fund III K/S CVR nr. 35 38 37 19 as mothercompanies. No transactions between the companies have taken place during the financial year.

### 14 Currency and interest rate risks and use of derivative financial instruments

As a consequence of its operating activities, investments and financing activities the Fund is exposed to currency risks and interest rate risks. The Fund's policy is not to hedge against the exposure to financial risks. This hedging is made independently by the Fund's investors. However, active speculation in financial risks is not made. The Fund's financial management is only directed at management of those financial risks arising as a consequence of the Fund's operating activities.

### 15 Events after the balance sheet date

The management company of Sparinvest Property Fund IV, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund IV and Sparinvest Property Investors II A/S.

### 16 Exemption from filling requirements

Pursuant to section 5(1) of the Danish Financial Statements Act, no annual report for the subsidiary SPF IV US has been prepared.