

ANNUAL REPORT

Evanridge Sweden 3 AB (publ)

(Corp. Id. 556797-8134)

Consolidated financial statements for the
year ended 2018-12-31

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Administration report

The Group's activities

The activity of Evanridge Group (The Group) is to invest in properties in Sweden. The primary goal is to create a diverse investment portfolio with an emphasis on large scale residential property.

The Group consists of the parent company Evanridge Sweden 3 AB (publ) (Evanridge) and the subsidiaries Evanridge Intrenact AB and Evanridge Läkaren AB.

Founded in 2010, Evanridge is dedicated to providing international commercial and residential property investments for individual investors in the UK and overseas, as well as small institutions. The company is managed and controlled by its board of directors. The board benefits from the advice and assistance of Evanridge Properties LLP an established UK property fund business specializing in Swedish property.

Business Concept

The objective of Evanridge Sweden 3 AB is to provide investors with an attractive rate of return from an investment in carefully selected pre-let residential and commercial property portfolios in Sweden.

The Company (acting by suitable SPV companies incorporated in Sweden as wholly owned subsidiaries of the Company) intends to acquire good quality, well located pre-let residential and commercial portfolios in Sweden which offer the prospect of enhanced returns from proactive asset management, combined with efficient financing using bank loans representing up to 75% of the purchase price.

Income generated by the properties will be used to make further investments, amortise the bank loans and cover the operating costs of the Fund. Typically the properties in which the Company will invest are expected to offer net yields in excess of 6% and to comprise residential apartment blocks with between 20 and 200 apartments. They may also contain elements of commercial property with office, retail or industrial uses.

Over the medium term, the Board aims to achieve an uplift in net rental income and capital value through selective improvement of the properties and their operation, as well as optimising income from under-rented properties and disposing of underperforming properties.

Operations and organization

Evanridge Properties has an established network of partners in Sweden, which includes Hammar Nordic AB, (www.hammar nordic.se) a property management and consultancy company with extensive experience of the Swedish real estate market. Hammar Nordic Holding AB assists in the acquisition and Hammar Nordic AB in subsequent day to day management of the Fund's property portfolio, with a clear remit to maximize investor returns.

The organization and activities of the company are such that it falls within the European legislation dealing with Alternative Investment Funds (The Alternative Investment Fund Managers Directive AIFMD). The company is a Self Managed investment fund under the terms of the legislation and is registered with the Finansinspektionen under the regime dealing with smaller Alternative Investment Funds.

For the full year ending 31 December 2018, the Evanridge Sweden 3 AB portfolio comprised the following properties.

- **BAGGE 8**
A retail and office property located in the center of Uddevalla.
Address: Kungsgatan 12 – 14, Kålgårdsbergsgatan 3, Uddevalla
Lettable area: 2,862 m².
Main tenants: SEB, Dina Försäkringar, SpecSavers Sweden AB, Bankomat AB, Uddevallahem.
- **KRUMMEDIKE 4**
Residential, retail and office property situated on a pedestrian street in the center of Uddevalla
Address: Kungsgatan 24 A – C, Kungstorget 1, 2
Apartments: 19
Lettable area: 2,863 m²
Main tenants: Frontwalker AB (fd Empir Solutions AB) , Lejas Café AB, Säkra AB, Vinnas Sushibar.
- **SILVERLOD 4**
Residential with retail outlet and offices close to city centre in Uddevalla
Address: Strömstadsvägen 15A-D, Silverlodsgatan 2
Apartments: 32
Lettable area: 4,129 m²
Retail tenant: Attaxera AB, Uddevalla Golfklubb, Uddevalla Kampsport.
- **KURÖD 4:88**
Industrial Building in an established industrial estate.
Address: Kurödsvägen 13 B, Uddevalla
Lettable area: 1,000 m²
Tenants: Nya Bohuslän 5 AB, Stemeck AB.
- **BANMÄSTAREN 2**
Residential Apartment Building situated near the centre of Uddevalla in Western Sweden.
Address: Edingsvägen 8 A-D, 451 52 Uddevalla
Apartments: 30 (6 x 1 bedroom, 17 x 2 bedroom, 7 x 3 bedroom)
Lettable area: 1,454 m²
- **Läkaren 5**
Residential Apartment Building situated near the centre of Trollhättan.
Address: Lasarettsvägen 3-5, 461 52 Trollhättan
Lettable area: 4,770 m²
Structure: Residential apartment building configured as 152 student apartments in two blocks.
The buildings were constructed in 2006 & 2007 and are in excellent condition. In addition there is 3000 m² of unutilized building land attached to the buildings.

Important events during the financial year

During the financial year the Group has not acquired or disposed of any property. No substantial renovation work is in progress.

Financial Overview

<i>Group</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
(SEK Thousands)				
Revenue	18,619	17,717	17,039	17,273
Result before Tax	11,399	(2,307)	17,125	10,471
Solidity, %	39,7	39,2	38,9	35,7
Investment property	255,989	247,630	253,000	235,700
Interest-bearing liabilities	124,374	127,826	131,278	134,300
Balance sheet total	258,273	249,565	256,450	242,181

Financial development during 2018

- The Group's rental income amounted to SEK 18,619,000 (17,712,000).
- The change in value of investment properties consists of unrealized change in value and amounts to SEK 8,359,000 (-5,370,000). The balance of the portfolio saw an upward trend of 3,4% over the year. The fair value of the properties at the year-end amounted to SEK 255,989,000 (247,630,000). The change in total fair value consists of changes in valuation of the total portfolio of SEK 8,359,000.
- Evanridge's interest bearing debt is mainly made up of short-term loans under long-term credit agreements. Short-term loans give considerable flexibility in the current environment of projected low long term rates. All such long term debt is with major Nordic banks on terms standard for property debt within Sweden.
- Evanridge has an interest derivative (interest rate swap) which had been put in place by the previous owners of the first portfolio to be acquired (that of Evanridge Intrenact in Uddevalla) as a method of extending credit with a short fixed interest period to obtain a longer term interest maturity profile. The change in the market value of the interest derivatives amounts to SEK 432,643 (462,656). The Board is not currently seeking to enter in to further derivatives of this sort.

Important events after the financial year

There have not been any significant events after the end of the financial year.

Outlook

Management will concentrate on ensuring continued full occupancy and on continuing to improve the letting position of the Uddevalla portfolio.

Risks and uncertainties

Evanridge has defined risks and uncertainties in the following areas: operations, the business environment and financing. In accordance with IFRS, management makes assumptions, estimates and assessments that affect the content of financial statements. Actual outcomes may differ from these estimates and assessments, as is made clear in the accounting principles.

Operations

Operational risks are those related to our core activities, property investment and management. When we acquire properties, both residential and commercial we aim to do so in good locations, seeking to capitalize on high demand and to enjoy strong rates of return with the prospect of growth in value. Occupancy rates within the portfolio are high and the increasing concentration of the group on residential property serves to reduce the risk of major reductions in income from increased vacancies.

Business Environment

External risks are primarily those within the wider business environment which are not capable of being controlled within the framework of the operations of the business and changes in macroeconomic conditions which affect general market conditions. Evanridge operates in areas where there are significant housing shortages and the board considers that the regulated nature of the residential rental market within Sweden acts to reduce the risk to the business presented by external business conditions. For instance a rise in interest rates with its corresponding impact on the anticipated expected yield for investment property will tend to arise from increases in the level of inflation. Such increases in inflation will at the same time result in corresponding rises in the rents which the group is able to charge on its residential properties.

Evanridge is affected by political decisions associated with tax legislation and its interpretation, such as the level of corporate tax or property tax. A change in tax legislation or practice – resulting, for example, in changes to allowable tax deductions or rules on utilizing the carry forward of tax losses – could change Evanridge's future tax situation and thereby impact profits.

Financing

Financial risks refer to an inability to satisfy demand for the necessary amount of capital, which is an essential operational resource. The board monitors the use by the group of borrowing facilities within the lending parameters set by the group's borrowing policy. The group operates in the area of conventional property loans from major banks secured on the property in question.

Environment

The company is not conducting any activities notifiable according to the Swedish environmental code.

Employees

The group did not have any employees during the financial year 2018.

Outsourcing

The group has appointed Evanridge Properties LLP as property adviser which under the agreement provides advice in connection with all acquisition, disposal, property management, tenant, and banking and accountancy matters. The day to day management of the property portfolio, rent and service charge collection and other tenant relations matters has been delegated by the Board, subject always to its oversight, control and direction, to Hammar Nordic AB, an experienced firm of real estate managing agents in Sweden.

Financial risk and risk management

The responsibility for the identification of areas of financial risk and the strategies adopted to manage that risk are the responsibility of the board. Subject to a given level of equity finance the board's view is that one of the primary risk areas for a property investment company of this sort is in relation to the level of financial gearing (the proportion of loan finance to property value). The board has set the acceptable limit of this gearing at a total on a consolidated basis of 75% across all properties with a maximum in relation to any one property of 85%. This and other financial matters are reported to and monitored by the board on a quarterly basis.

Currency risk

The Group is not exposed to any internal currency risk in relation to the operation of its business as all transactions and financing is carried out in Swedish krona.

Interest risk

Property investment businesses customarily use loan finance as an integral part of their finance for the purchase of property. Evanridge uses traditional mortgage finance from a major Nordic bank in the acquisition of its portfolios. As stated, the policy in respect of this is that the proportion of loan finance to

valuation in respect of such loans, on a consolidated basis, should not exceed 75% across the entire portfolio and not exceed 85% in relation to any one building. In common with most property investment businesses however Evanridge faces a risk in relation to the effect on its profitability of rises in interest rates. Some protection against rises in interest rates in relation to one portfolio is provided by interest rate swaps. Other borrowing is at present on a three month basis. The board, with the advice of the Property Adviser will in due course consider fixing a portion of the loan advances on a rolling profile which matches the investment time scale of the business. The Property Adviser, on a monthly basis, monitors the long term interest rate profile on 3, 5 and 10 year fixed borrowing in order to advise on the appropriate time to consider this step.

Credit risk

Counterparty risk refers to the risk that, at any moment, it is estimated that Evanridge's counterparties do not fulfill their contractual obligations. Evanridge limits counterparty risk by requiring high credit ratings of the counterparties. High rating is defined to be that no rating agency indicates a rating that is below investment grade. Evanridge's counterparties are the major Nordic banks. The company's cash is placed only in bank accounts in the major Nordic banks and the Group has not invested in stocks, warrants, funds or other similar items.

Liquidity or Funding risk

Demands for long-term funding make Evanridge look for long term capital in credit agreements in order to minimize the risk of refinancing. To reach maximum flexibility utilized loans are revolving, i.e. the turnover interest rate is normally within 1-3 months basis. Short term revolving loans lead to flexibility when it comes to fixed interest rate terms.

Parent Company

The parent company's primary operations are the performance of Group-wide services, in addition to which the parent company owns the shares in Evanridge Intrenact AB and thus in its subsidiary Evanridge Läkaren AB.

Proposed allocation of profit

PROFIT BROUGHT FORWARD	3,958,656
Profit/loss for the year	(1,838)
<i>The board of Directors proposed allocation</i>	
To be carried forward	3,956,818

Consolidated Statement of Comprehensive Income

	NOTE	2018	2017
	S		
Rental Income	6	18,619,173	17,716,624
Operating expenses	7	(7,708,163)	(7,473,085)
Maintenance	7	(1,795,712)	(1,446,301)
Property tax	7	(712,536)	(516,462)
Net operating income		8,402,762	8,280,775
Central administration expenses	8	(3,290,101)	(3,194,025)
Net interest			
Interest income	9	32,621	31,074
Interest cost	10	(2,546,057)	(2,561,437)
Income from property management		2,599,225	2,702,477
Change in fair value			
Investment properties	11	8,367,825	(5,471,671)
Derivatives	11	432,643	462,656
Income before tax		11,399,693	(2,306,538)
Current tax	12	(112,368)	(53,710)
Deferred tax	12	(7,164,729)	536,982
Total net profit/loss for the year		4,122,596	(1,923,266)
Other Comprehensive Income			
Total net loss for the year		4,122,596	(1,923,266)
Other Comprehensive Income		-	-
Total Comprehensive Income		4,122,596	(1,923,266)

Since there is no minority interest the entire net income is attributable to the shareholders of the parent company.

Consolidated Statement of Financial Position

ASSETS	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Fixed assets			
Investment properties	5, 13	255,988,000	247,630,000
Deferred tax receivables		-	896
Total fixed assets		255,988,000	247,630,896
Current assets			
Trade and other receivables	23	352,601	444,076
Other short-term financial assets	23	336,675	490,475
Current tax assets		-	-
Cash and cash equivalents	23	1,594,951	999,738
Current assets		2,284,228	1,934,289
Total assets		258,273,228	249,565,185

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Equity	15		
Equity attributable to owners of the parent:			
Share capital		38,233,584	38,233,584
Other capital contribution		0	0
Retained earnings		63,771,720	59,649,124
Non-controlling interest		-	-
Total equity		102,005,304	97,882,708
Liabilities	16		
Long-term liabilities			
Deferred tax liabilities	17	24,556,009	17,392,176
Long-term interest-bearing liabilities		121,000,000	124,374,000
Total long-term liabilities		145,338,372	141,766,176
Short-term liabilities			
Trade and other payables		1,753,014	2,098,764
Provisions		-	-
Tax liabilities		-	-
Derivative financial instruments	18	1,016,996	1,449,639
Short-term interest-bearing liabilities		3,452,000	3,452,000
Other liabilities		3,218,015	484,177
Accrued expenses and prepaid income	20	1,271,891	2,431,722
Total short-term liabilities		10,711,915	9,916,302
Total liabilities		156,050,287	151,682,478
Total equity and liabilities		258,273,228	249,565,185

Parent's Statement of Profit or Loss

	NOTES	2018	2017
Income		-	-
Other external expenses		(365,308)	(207,914)
Operating profit/loss		(365,308)	(207,914)
Interest income	9	61	372
Interest cost	10	-	(1)
Net financial items		61	371
Group contribution		365,000	580,000
Appropriations		365,000	580,000
Profit/loss before tax		247	372,457
Tax expense	12	(1,591)	(81,941)
Profit/loss for the year		(1,838)	290,516

Parent's Statement of Other Comprehensive Income

No statement of other comprehensive income is required as the parent company has no items to be accounted for under this head.

Parent Company's Statement of Financial Position

ASSETS	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Fixed assets			
Participations in group companies	14	16,613,118	16,613,118
Long-term receivables, group companies	22	25,779,787	25,529,787
Deferred taxes		-	896
Fixed assets		42,392,905	42,143,801
Current assets			
Other receivables		27	27
Prepaid expenses and accrued income		-	-
Cash and bank		24,829	238,412
Current assets		24,856	238,439
Total assets		42,417,761	42,382,240

Parent Company's Statement of Financial Position

EQUITY AND LIABILITIES	NOTES	31 DECEMBER 2018	31 DECEMBER 2017
Equity	15		
<i>Restricted equity</i>			
Share capital		38,233,584	38,233,584
Total restricted equity		38 233 584	38 233 584
<i>Non-restricted equity</i>			
Share premium		3,668,140	4,541,010
Retained earnings		290,516	(872,870)
Net income/loss for the year		(1,838)	290,516
Total non-restricted equity		3,956,818	3,958,656
Total equity		42,190,402	42,192,240
Liabilities	16		
Long-term liabilities			
Other liabilities		-	-
Total long-term liabilities		-	-
Short-term liabilities			
Trade and other payables		67,500	142,500
Tax liabilities		695	-
Other short-term liabilities		6,664	7,500
Accrued expenses and prepaid income	20	152,500	40,000
Total short-term liabilities		227,359	190,000
Total liabilities		227,359	190,000
Total equity and liabilities		42,417,761	42,382,240
Pledged assets		None	None
Contingent liabilities		None	None

Consolidated Statement of Changes in Equity

SEK	Notes	Share capital	Other capital contribution	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	15						
Balance at 1 January 2018		38,233,584	-	59,649,124	97,882,708	-	97,882,708
Dividends				-			
Issue of share capital							
Profit for the year				4,122,596	4,122,596		4,122,596
Other comprehensive income							
Balance at 31 December 2018		38,233,584	-	63,771,720	102,005,304	-	102,005,304
SEK	Notes	Share capital	Other capital contribution	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	15						
Balance at 1 January 2017		38,233,584	-	61,572,391	99,805,975	-	99,805,975
Dividends				-			
Issue of share capital							
Profit (loss) for the year				(1,923,266)	(1,923,266)		(1,923,266)
Other comprehensive income							
Balance at 31 December 2017		38,233,584	-	59,649,124	97,882,708	-	97,882,708

Parent's Statement of Changes in Equity

SEK	Notes	Share capital	Other capital contribution	Retained earnings	Total attributable to owners of parent
	15				
Balance at 1 January 2018		38,233,584	-	3,958,656	42,192,240
Dividends				-	
Issue of share capital					
Profit for the year				(1,838)	(1,838)
Other comprehensive income					
Balance at 31 December 2018		38,233,584	-	3,956,818	42,190,402
SEK	Notes	Share capital	Other capital contribution	Retained earnings	Total attributable to owners of parent
	15				
Balance at 1 January 2017		38,233,584	-	3,668,140	41,901,724
Dividends				-	
Issue of share capital					
Profit (loss) for the year				290,516	290,516
Other comprehensive income					
Balance at 31 December 2017		38,233,584	-	3,958,656	42,192,240

Statement of Cash-flow

SEK	Notes	GROUP		PARENT	
		2018	2017	2018	2017
Cash flow from operating activities					
Profit before unrealized changes in value		2,599,225	2,702,476	(365,247)	(207,543)
Adjustments for items not included in cash flow		8,826	-	-	-
Taxes paid		(231,044)	(475,296)	-	(180)
Cash flow before change in working capital		2,377,007	2,227,180	(365,247)	(207,723)
<i>Change in working capital</i>					
Current receivables		364,646	(316,066)	-	181
Current liabilities		1,227,561	(28,236)	36,664	(96,250)
Change in working capital		1,592,207	(344,302)	36,664	(96,069)
Cash flow from operating activities		3,969,214	1,882,878	(328,583)	(303,792)
Investing activities					
Investment in properties	5	-	(101,671)	-	-
Acquisition of subsidiaries, net of cash acquired		-	-	-	-
Group contribution		-	-	-	-
Long-term receivables		-	-	365,000	-
Investments in financial fixed assets		-	-	(250,000)	-
Cash flow from (used in) investing activities		-	(101,671)	115,000	-
Cash flow from financing activities					
Interest-bearing liabilities raised		-	-	-	-
Interest-bearing liabilities repaid		(3,374,000)	(3,530,000)	-	-
Proceeds from issue of share capital	15	‘	‘	-	-
Cash flow from (used in) financing activities		(3,374,000)	(3,530,000)	-	-
Cash and cash equivalents, beginning of year		999,738	2,748,531	238,412	542,204
Net change in cash and cash equivalents		595,213	(1,748,793)	(213,583)	(303,792)
Cash and cash equivalents, end of year		1,594,951	999,738	24,829	238,412

Accounting Principles and notes

1 Nature of operations

The principal activities of Evanridge Sweden 3 AB (publ) and its subsidiaries are investing in and administering properties in Sweden.

2 General information and statement of compliance with IFRSs

Evanridge Sweden 3 AB (publ), the Group's parent company, is a public limited liability company incorporated and domiciled in Sweden. Its registered office and principal place of business is Staveredsgatan 20, 46 125 Trollhättan, Sweden. Evanridge Sweden 3 AB's shares are owned by individual investors and small pension funds, substantially within the United Kingdom.

The financial reports of Evanridge Sweden 3 AB (publ) for the financial year ending December 31, 2018, have been approved by the Board of Directors and the Chief Executive Officer for publication on 3rd May 2019, and will be proposed to the 2019 Annual General Meeting for adoption.

2.1 Basis for accounting

Evanridge Group's accounts have been prepared in accordance with the IFRS standards adopted by the EU. In addition, the consolidated accounts have been prepared according to Swedish law by application of the Swedish Financial Reporting Board's recommendation RFR 1 (Complementary accounting principles for consolidated accounts).

The consolidated accounts are prepared based on the concepts of, fair value of investment properties and derivatives, nominal value for deferred tax and acquisition value for the remaining items. The group is not listed or in the process of being listed, therefore, the group does not apply IAS 33, Earnings per share or IFRS 8, Segment reporting.

The Annual Report of the parent company has been prepared according to the Annual Accounts Act and according to the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. RFR 2 states that a legal entity shall apply the same IFRS/IAS that is applied in the consolidated financial statements, with exceptions for and the addition of rules and laws primarily relating to the Annual Accounts Act, and with consideration of the relationship between accounting and taxation. Differences in accounting principles between the Group and the parent company are presented below:

- The income statement and balance sheet for the parent company are presented according to the Annual Accounts Act schedules.
- Participation in subsidiaries is reported in the parent company using the cost model. In cases where the carrying amount of the participation exceeds the subsidiary's fair value, an impairment loss is charged to the income statement. Where the grounds for a previous impairment charge no longer exist, the impairment loss is reversed. Value transfers between subsidiaries may arise in connection with intra-group restructuring, whereupon an adjustment of the book value of shares in subsidiaries may be necessary. These transactions are reported in the balance sheet in accordance with RR 1:00 item 38.
- Contingent liabilities for the benefit of subsidiaries are financial guarantees and are accounted for in accordance with RFR 2, i.e. they are not accounted for as provisions, but instead Evanridge provides information in the notes.

3 Standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 presents new requirements for the recognition, measurement, presentation and disclosure of leases. The new standard's objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. The Group's management has not yet assessed the impact of IFRS 16 on these consolidated financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as at 31 December 2018. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

4.3 Classification

Fixed assets and long-term liabilities consist of items that are expected to be retained or maturing more than twelve months from the balance sheet date. Current assets and short-term liabilities consist of items that are expected to be retained or settled in less than twelve months from the balance sheet date.

4.4 Critical assessments

Accounts completed in accordance with the IFRS and generally accepted accounting principles require the making of assessments and assumptions affecting recorded assets, liabilities, income and cost, as well as other information in the accounts. These assessments and assumptions are based upon historical experience and other factors which are considered fair under current conditions. Actual outcome may differ from these assessments if other assumptions are made or other conditions exist.

Investment properties

For valuation of investment properties, assessments and assumptions can have a significant effect on the income and financial position of the Group. These valuations require estimates and assumptions of future cash flows and the discounting factor (required yield). To reflect the uncertainty that exists in the assessments and the assumptions, an uncertainty range of +/- 5 to 10% is normally used in property valuations.

Deferred tax liability

According to the accounting principles applied in the preparation of the accounts, deferred tax is to be accounted for using the nominal tax rate without discount, i.e. for the next year a 21,4 % corporate tax rate. Actual tax is often considerably lower, in part due to the possibility of properties being sold in a tax-efficient manner, and in part due to the time factor.

4.5 Consolidated financial statements

The Group's balance sheet and income statement include all companies where the parent company has direct or indirect control, which is obtained when Evanridge achieves voting majority. All companies in the Group are wholly-owned and there are no associated companies or joint ventures. In addition to the parent company, the Group comprises the subsidiary listed in note 14 and its respective sub-group. The consolidated financial statements are based upon the accounts for all subsidiaries as at December 31. The consolidated financial statements are prepared according to the acquisition method. This means that shareholders' equity in the subsidiaries at the time of acquisition, calculated as the difference between the fair value of the assets and liabilities, is fully eliminated. The shareholders' equity of the Group includes only the part of shareholders' equity in the subsidiaries that has been earned after acquisition. The consolidated income statement includes companies acquired or sold during the year only for the period of ownership. Intra-group sales, income, losses and balances are eliminated in the consolidated accounts. The entities are all Swedish, therefore, the Group does not account for any exchange differences.

All acquisitions are considered to be asset purchases.

4.6 Revenue

Rental income

Rental income, which from an accounting perspective represents income from operating leases, is invoiced in advance and recorded as a linear allocation in the income statement, based on the terms in the contract. Rental income includes supplementary charges for the tenant, such as debited property tax and heating costs. Pre-paid rents are recorded as deferred rental income.

In cases where a lease during a certain period of time offers a reduced rent, corresponding to a higher rent at another point in time, this lower/higher rent is accrued over the leasing period. Pure discounts, such as a reduction for the period when a tenant moves in, are recorded in the income statement for the period in which they are given.

Revenue from property sales

Income from property sales is entered as at the contract date, unless there exist special conditions in the purchasing agreement. Sales of properties through companies are accounted for net in respect of the underlying property price and calculated tax. The result of property sales is accounted for as a change in value and on the basis of the difference between the received sales price, after deduction of sales costs and the recorded value in the latest annual report, with adjustment for capitalized investments after the latest annual report.

Financial income

Financial income consists of interest rate income and is recorded as income in the period to which it refers. Group contributions received and anticipated dividends are also recorded as financial income.

4.7 Financial cost

Financial costs include interest and other costs that occur when borrowing money. The cost of 'Pledging' or registering charge costs for mortgages are not considered financial costs and are capitalized as property investments since it increases valuation. Financial costs are accounted for in the period to which they refer. Financial costs also include the interest cost for interest-rate derivatives. Payments for these interest-rate derivatives are accounted for in the period to which they refer. Net financial items are not affected by market valuation of interest rate derivatives which are in place. Instead, changes in market value of interest-rate derivatives are recorded as changes in value under a separate headline.

4.8 Employee benefits

The Group has no employees.

4.9 Income taxes

Income tax in the income statement is divided into current and deferred tax. Income tax is recorded in the income statement except when related to transactions recorded directly in the equity section of the balance sheet. In these cases, related tax effects also are recorded directly in equity. Current taxes are calculated based on the current tax rate, 22%. Open claims in the income tax return that contain a certain degree of uncertainty are taken into consideration in the tax calculation at the earliest in the year after the fiscal year, after taxation has been assessed by the tax authorities.

Deferred tax

Deferred tax is recorded in The Group using the balance method, for all temporary differences between an asset's or a liability's book value and its tax-basis value. This means that there is a tax liability or a tax asset that falls due for payment on the date at which the asset or liability is realized. Exceptions are made for temporary differences that arise from the initial accounting for assets and liabilities relating to asset acquisitions. The Group has three items that contain temporary differences – investment properties, interest rate derivatives and tax losses carried forwards. Deferred tax assets related to tax losses carried forwards are recorded, since it is probable that future taxable income will be available, which may be utilized to offset the tax loss. Deferred tax liability is calculated on the difference between the book value of the properties and their tax basis value. For changes in either of the two items above, the deferred tax liability/tax asset is also changed, which is recorded in the income statement as deferred tax. The Group has recorded all company acquisitions completed during the year as asset acquisitions, meaning that deferred tax at the time of acquisition is not accounted for in the balance sheet.

Current tax

Current tax, the tax the company must pay on taxable income for the year, is recorded in the income statement. It includes adjustments for previous periods.

4.10 Leases

Leases where all crucial risks and benefits associated with the ownership fall on the lessor are classified as operational leases. From an accounting perspective, all existing rental leases related to The Group's investment properties are classified as operational leases. Refer to accounting principles for income and note 4.6 for further information on accounting for leases.

Site leasehold is, from an accounting perspective, an operational lease. The ground rent is accounted for in the income statement for the period to which it refers. There are a small number of leases of insignificant value, where The Group is the lessee. These leases are also accounted for as operational leases. Payments made during the leasing period are recorded as running costs in the income statement, distributed over the leasing period.

4.11 Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both.

Valuation

Investment properties are initially recorded at acquisition cost which includes expenses directly related to the acquisition and are subsequently recorded at fair value with changes in value being taken to the income statement. Fair value is calculated by reference to independent valuations carried out by Savills.

Change in value

Changes in value are recorded in the income statement and consist of unrealized as well as realized changes in value. Unrealized value is calculated based on the valuation at the end of the financial year compared with the previous year's valuation, or the acquisition value if the property has been acquired during the year, with the addition of capitalized subsequent expenditure. For properties sold during the year, unrealized changes in value are recorded and calculated based on the valuation at the latest interim report prior to the sale, compared to the valuation at the end of the previous year with adjustment for capitalized subsequent expenditure during the period.

Subsequent expenditure

Subsequent expenditure which lead to economic benefits for the company, i.e. increase the valuation of the property and can be reliably calculated are capitalized. Costs for repairs and maintenance are accounted for in the income statement for the period in which they occur. For any major new construction during the period, costs are capitalized.

Acquisitions and sales

For acquisition or sale of properties or companies, the transaction is entered as at the signing date, unless special conditions exist in the purchasing contract.

4.12 Tangible fixed assets

Tangible fixed assets comprise all equipment, which has been recorded at acquisition value, including deduction of accumulated depreciation according to the group's depreciation policy and any impairment. Acquisition value includes purchase price and costs directly related to the acquisition, e.g., transport-to-site and costs associated with bringing the asset in to use for its proper purpose. Depreciation on equipment is based on historical acquisition values after deduction of subsequent write-downs. Residual value is assumed to be non-existent. Depreciation of assets acquired during the year is calculated with reference to the date of acquisition. Depreciation is linear, which means equal depreciation during the period of use, normally five years, except for computers that are expected to have a three-year period of use.

4.13 Financial instruments

Financial instruments recorded in the balance sheet include assets such as cash-and-bank, lease receivables, other receivables and long-term receivables and liabilities such as interest rate derivatives, accounts payable, other liabilities and loans.

Financial instruments are initially recorded at fair value equivalent to acquisition value, with the addition of transaction costs, except for financial instruments which are recorded at fair value through the income statement, where transaction costs are excluded. Following the initial recognition, accounting is based on the classification made according to the criteria below. Financial transactions such as cash received or paid as interest and amortization are recorded on the settlement day of the bank holding the account, while other payments are recorded on the accounting date of the bank holding the account.

A financial asset is derecognized when the contractual rights are realized, expire or the company loses control over it. A financial liability is removed from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Cash and bank

Cash and cash equivalents consist of bank balances at the accounting date and are recorded at nominal value.

Receivables

Financial assets that are not derivatives, with fixed or determinable payments that are not quoted in an active market, are recorded as receivables. In the Group, these are primarily lease receivables and other receivables. Receivables have been valued at the amount expected to be received, meaning they are recognized at cost, less provision for doubtful receivables. Reservation for doubtful receivables is made when there is an objective risk assessment that The Group will not receive the full claim. Receivables in the parent company consist solely of receivables from subsidiaries, which are reported at acquisition value.

Liabilities

Liabilities refer to credits and operating liabilities such as accounts payable. In cases where short-term credits are recognized as covered by unutilized long-term credit agreements these are also considered to be long-term. The loans are recognized in the balance sheet on the settlement date and measured at amortized cost. Accrued unpaid interest is reported under accrued expenses. Liabilities are recognized when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not been received. Accounts payable are recognized when invoices are received. Accounts payable and other operating liabilities with short maturities are recognized at nominal value.

Interest-rate derivatives

Interest-rate derivatives are financial assets or liabilities which are valued at fair value, with value-changes recorded in the income statement. In order to manage exposure to fluctuations in the market interest rate according to the financial policy, The Group has entered into interest-rate-derivative agreements. When using interest-rate derivatives, changes in value may occur, mainly due to changes in market interest rates. Interest rate derivatives are initially recorded in the balance sheet on the trade day at acquisition value, on the basis that the interest rate flows inherent in the derivative, assume an acquisition value of zero. They are subsequently valued at fair value with value-changes being taken to the income statement.

Changes in value can be realized as well as unrealized. Realized changes in value refer to redeemed interest-rate derivatives and comprise the difference between the price at the time of redemption and the recorded book value according to the latest interim report. Unrealized changes in value refer to the changes in value during the financial year for the interest-rate derivatives that The Group held at the end of the fiscal year. Changes in value are calculated

based on the valuation at the end of the fiscal year compared to the valuation in the previous year, or the acquisition value if the interest rate derivative agreements have been entered into during the year. For interest rate derivatives that have been redeemed, an unrealized change in value is recorded and calculated based on the valuation at the latest interim report prior to the redemption, compared with the valuation at the end of the previous year. Payments made under these agreements are accounted for in the period to which they refer.

The valuation of derivatives at fair value is adjusted for counterparty risk, i.e. Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA).

Foreign currency

Transactions in foreign currencies are translated to Swedish kronor (SEK) at the spot exchange rate of the transaction. Monetary assets and liabilities are translated at the rate on the balance sheet date.

4.14 Shareholders' equity

Dividends

Dividends are accounted for as a deduction from shareholders' equity, after decision by the Annual General Meeting (AGM). Anticipated dividend is accounted for as financial income by the recipient.

4.15 Provisions

Provisions are liabilities which are uncertain regarding timing or amount. A provision is recognized when there are contractual obligations, court order or other legal grounds likely to involve future payments. The amounts are continuously reassessed. Liabilities due in more than one year are estimated using discounting.

4.16 Cash flow statement

The cash flow statement has been prepared according to the indirect method. Net profit or loss is adjusted for effects of non-cash transactions during the period as well as income or costs associated with the cash flow from investment or financing activities. Cash and cash equivalents refers to cash and bank.

5 Acquisitions and disposals

No acquisitions or disposals have been made during the year. Renovation and alteration work has been done on Krummedike and Banmästaren.

6 Rental income

Rental income

Group rental income was SEK 18,619,173 (17,716,624). Rental income consists of the rental value with deduction of the value of vacant premises during the year. Rental value refers to the rental income received and the estimated market rent of unlet premises. The rental value also includes supplementary charges for the customer, such as heating and property tax. Rental levels in both portfolios were on the same level as previous year

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Renegotiation

Commercial leases, for which rents are paid quarterly in advance, are signed for a certain period of time, which means that a change in the market rents do not have an immediate effect on rental income. Rental levels can only be changed when the lease in question is due for renegotiation. The rental levels of the Group are considered to be in line with the market.

Residential rates are determined in line with the regulatory system within Sweden and hence by definition are in line with market rates.

Economic occupancy rate

The Group's activities are split in to the letting of residential property and commercial/industrial property. The occupancy rate in respect of residential property was 96% (98%). Although a high occupancy level the vacancies (calculated on a monthly basis) related to the Banmästaren property due to a reconstruction. At the end of the year all residential properties were let in line with the occupancy level for the previous year.

The average occupancy rate in respect of commercial property was 76% (76%) estimated on the basis of economic value.

Risk exposure and credit risk

The commercial portfolio within the existing Intrenact portfolio is spread between a number of tenants with a spread of lease lengths and covenant strength as a means of managing vacancy and credit risk within the portfolio. The largest commercial tenant is SEB bank with the commercial tenant mix also including insurance brokers, retail outlets, IT specialists, and small engineering companies. The residential portfolio which had 100% occupancy at the year-end has 233 apartments let to the occupiers with a traditionally very low rate of default on rent owing.

Rent receivables

Rents are invoiced and paid in advance. Overdue rents are approximately 6% (11%).

Parent company

The parent company's activities consist only of central group functions and any turnover comprises intra-group services.

7 Property costs

Property costs in 2018 were SEK 10,216,411 (9,435,849). The costs include both direct property costs such as costs of operation, operation, maintenance, ground rent and property tax, and indirect costs such as leasing and property management.

Operating expenses

Operating expenses include costs such as repairs electricity, heating, water, facilities management, cleaning, insurance, rent losses and property-specific marketing costs. Some operating expenses are recharged to tenants as a supplement to the rent. Operating expenses for 2018 were SEK 7,708,163 (7,473,085). The operating expenses vary because of the acquisition of property during the previous year.

Maintenance

Maintenance costs are ongoing measures to maintain the property's standard and technical systems. The maintenance costs were SEK 1,795,712 (1,446,301).

Ground Rent

Ground rent for 2018 was payable in respect of buildings in the Intrenact portfolio at a rate of SEK 0 (0).

Property tax

The Group's property tax was SEK 712,536 (516,462). Property tax is a state tax based on the property's tax assessment value. The tax rate for 2018 was .5% for industrial property and 1% for commercial property

Leasing and property management

The Group has not signed any leasing agreements.

Parent Company

The parent company's activities consist of only group-wide functions.

8 Central Administrative Expenses

Central administrative expenses include costs of portfolio management and company administration. It includes 50% of the costs relating to Hammar Nordic and all of those relating to Evanridge Properties LLP together with all accounting and audit costs.

Employee benefits expenses

No employees have been employed in the Group or parent. No salary or pensions have been paid. Compensation has been paid to the Board of Directors totaling SEK 112,500 (112,500) in the year.

The Group has paid no other remuneration or benefits to the Board of Directors.

Remuneration to auditors

Remuneration to auditors	Group		Parent company	
	2018	2017	2018	2017
Audit assignment	145,800	87,000	192,600	40,000
Audit in addition to the audit assignment				
Tax consulting				
Other consulting	-	-	-	-
Total	145,800	87,000	192,600	40,000

9 Interest and Financial Income

Finance income for the reporting periods consists of the following:

(SEK Th)	GROUP		PARENT	
	2018	2017	2018	2017
Interest income from cash and cash equivalents	1	1	-	-
Interest income on financial assets carried at amortized cost and AFS financial assets	32	30	-	-
Dividend income	-	-	-	-
Fair value gains on forward exchange contracts held for trading	-	-	-	-
Gains on AFS assets reclassified from other comprehensive income	-	-	-	-
	33	31	-	2

Interest income, for the Group as well as for the Parent Company, is related to cash and receivables valued at accrued acquisition value.

10 Interest and Financial Costs

Finance costs for the reporting periods consist of the following:

(SEK Th)	GROUP		PARENT	
	2018	2017	2018	2017
Interest expense for borrowings at amortized cost:				
Subordinated shareholder loan	-	-	-	-
Other borrowings at amortized cost	(2,546)	(2,561)	-	-
Interest expense for finance lease arrangements	-	-	-	-
	(2,546)	(2,561)	-	-

11 Changes in value

11.1 Investment properties

The change in value 2018 amounted to SEK 8,359,000 (-5,370,000). Professional valuations were carried out by Savills in Gothenburg as in the previous year. The valuation was divided into the amounts in respect of each property.

Intrenact – The Intrenact portfolio was valued at SEK 141,322,000 (138,630,000) an increase over the previous year of 2% which is in line with expectations and the general level of inflation.

Läkaren – The Läkaren portfolio was valued at SEK 114,667,000 (109,000,000) an increase over the previous year of 5% which is in line with expectations and above the general level of inflation.

11.2 Derivatives

The Group currently has interest rate derivatives which were in place when the Intrenact subsidiary was acquired. If the agreed interest rate deviates from the market interest rate, regardless of credit margins; there is a surplus or reduction in value in the interest rate derivative. The non-cash-flow changes in value are reported in the income statement.

The value of the interest derivatives portfolio has changed by 432,643 (462,656), mainly due to changes in long-term interest rates within the market.

12 Tax expense

The Swedish income tax for limited liability companies is 22%. In the income statement, income tax is recorded as two entries, current tax and deferred tax. Current tax is based on the taxable income for the year, which is lower than the recorded net income for the year. This is mainly an effect of the ability of the group to use tax depreciation on buildings, to use direct tax deductions for certain reconstruction of the properties, which are capitalized in the accounts, and to utilize existing tax losses carried forwards.

Deferred tax is a provision for the future tax which will be paid when the properties are sold, and the depreciation for tax purposes and the capitalized investments deducted for tax purposes are reversed. Swedish accounting legislation does not permit the presentation of properties at fair value in legal entities, meaning that changes in property values only occur at Group level and thus does not affect taxation. Interest rate swaps are recorded at fair value at group level and at cost basis at entity level, thus leading to temporary differences. Since corporate tax is lowered to 21,4% from 2019, deferred tax is booked at that rate.

As shown in the table below, taxable income for 2018 is negligible, since The Group uses the above mentioned depreciation for tax purposes and tax deductions for certain reconstruction.

(SEK Th)	GROUP		PARENT	
	2018	2017	2018	2017
Profit/loss before tax	11,400	(2,307)	0	372
Domestic tax rate	22%	22%	22%	22%
Expected tax expense/income	(2,508)	508	0	(82)
Adjustment for non-deductible expenses:				
Other non-taxable income	-	-		
Other non-deductible expenses	227	(125)	2	-
Actual tax expense	(2,281)	383	1	-
Tax expense comprises:				
Current tax expense	(112)	(53)	1	-
Deferred tax expense:	(7,165)	437	-	-
Change of taxrate				
Origination and reversal of temporary differences	4,996	437		82
Utilization of previously recognized tax loss carryforwards	-	-	-	-
Deferred tax expense (income), recognized directly in other comprehensive income	-	-	-	-

13 Investment property

Investment property includes real estate properties in Sweden, which are owned to earn rentals and for capital appreciation. The Parent Company does not own any investment properties.

13.1 Schedule of the changes during the year

GROUP	2018	2017
(SEK Th)		
Opening balance	247,630	253,000
New construction, extension and reconstruction	-	102
Business combination	-	-
Acquisitions (Asset purchase)	-	-
Sales	-	-
Unrealized changes in value	8,359	(5,472)
Closing balance 31 December	255,989	247,630

13.2 Schedule of tax assessment value

	2018	2017
Buildings	115,840,000	108,545,000
Land	30,513,000	27,438,000
Total tax assessment value	146,353,000	135,983,000

	2018	2017
Rental income from investment properties	18,619,	17,716,
Property costs for investment properties	(10,216,)	(9,436,)

13.3 Significant obligations

The Group has no significant obligations to acquire or sell any investment property. However the group is obliged to complete ongoing investments.

13.4 Valuation model

Valuation theory

The value of the real estate portfolio is based on the discount cash flow method and direct capitalization method. The valuation is thus under IFRS 13, level 3.

External valuation and Uncertainty range

A property's market value can only be confirmed when it is sold. Property valuations are calculations performed according to accepted principles on the basis of certain assumptions. It is thought that, in line with previous years, the valuations performed for Evanridge indicate a sensitivity of plus or minus approximately 5%.

13.5 Development projects and building rights

The Group has no development projects at the year end.

14 Participation in Group Companies

NAME OF THE SUBSIDIARY	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD BY THE GROUP AT YEAR END	
			2018	2017
Evanridge Intrenact AB	Sweden	Owning and managing of properties	100%	100%
Evanridge Läkaren AB	Sweden	Owning and managing of properties	100%	100%
Skalbaggen Fastigheter AB	Sweden	Owning and managing of properties	100%	-
Pathmaster AB	Sweden	Owning and managing of properties	100%	-

15 Shareholders' Equity

15.1 Items in shareholders' equity

Share capital

The share capital of Evanridge is split in to A shares and B shares. All shares are fully paid ordinary shares with a nominal (par) value of SEK 1 per share.

The B shares (which are held beneficially by the management team) carry certain profit sharing rights subject to the attainment of investment targets. Evanridge Founder Shareholder LLP as the sole holder of "B" Shares in the Company is entitled to a contingent profit share which will take effect as a deferred preferred dividend on the "B" Shares (such profit share being the "Carried Interest"). The Carried Interest will be calculated as 20% of the excess total profit arising to the Shareholders over and above the amount subscribed by them and a simple annual rate of return of 10% (the "Priority Return"). Their rights to vote are restricted in certain specified circumstances.

Subject to the above, all shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Evanridge Sweden 3 AB (publ).

All shares are fully paid and there are no restrictions regarding dividend or other types of repayment.

There is no potential common stock such as convertible shares, or preferential rights to accumulated dividend (preference shares).

	2018	2017
Shares issued and fully paid:		
Beginning of the year	38,223,584	38,223,584
Issued on exercise of employee share options	-	-
Share issue, private placement	-	-
Shares issued and fully paid	-	-
Shares authorized for share based payments	-	-
Total shares authorized at 31 December	38,223,584	38,223,584
A shares	37,733,584	37,733,584
B shares	500,000	500,000

Other capital contribution

Other capital contribution is shareholders' equity contributed by shareholders.

Retained earnings

Retained earnings relates to earnings earned in the Group. The Group's earlier allocation to restricted reserves is also included in this item.

Restricted and non-restricted equity in the parent company

According to the Swedish Companies Act shareholders' equity is made up of restricted (non-distributable) and non-restricted (distributable) equity. Dividends to the shareholders may only be such that after the distribution there is full coverage for restricted equity in the parent company. Further, distribution of profits may only be made if it is justified with respect to the demands put on the amount of equity needed by the type of business, the extent of operational risk, company and Group consolidation needs and liquidity and financial position in general.

Dividend

Dividends are proposed by the Board of Directors according to the rules of the Companies Act and decided by the annual general meeting.

The amount is recorded as a liability after the annual general meeting has approved the dividend.

15.2 Capital structure

The group's capital structure is that shareholders' equity is geared by the use of traditional mortgage finance. The resulting funds are utilized for the purchase of investment properties. Control over the structure is exercised by limiting the extent of gearing so that borrowing on a consolidated basis across all portfolios should not exceed a loan to value ratio of 75% and that the loan to value ratio in respect of any one building should not exceed 85%. The cash flow resulting from the portfolio investments after the payment of the group's operational and central expenses is to be utilized for the paying down of debt.

16 Liabilities

(SEK Th)	GROUP		PARENT	
	2018	2017	2018	2017
Non-interest-bearing liabilities due within one year of the balance sheet date	6,243	5,014	-	-
Interest-bearing liabilities due within one year of the balance sheet date	3,452	3,452	-	-
1-5 years of the balance sheet date	23,503	14,912	-	-
5 years after the balance sheet date	97,497	109,462	-	-
Total liabilities excl. deferred tax liability and derivatives	130,695	132,841	-	-

17 Deferred tax

Tax loss carry forward

The Group's tax losses carried forwards as at December 31, 2018 are estimated at SEK 0 (896). The change is detailed in note 12.

Surplus- and sub value of properties for tax purposes

When calculating the tax effect on a sale of all properties in the Group, the book value in the Group must be compared to the residual value for tax purposes in the legal entity. This means that if all of The Group's properties were sold, the taxable net profit could deviate from the recorded profit in the Group.

The table below shows the deferred tax in accordance with IFRS. Thus, accounting for asset purchase, valuation of investment properties and interest-rate derivatives by adjustment to fair value and accounting for tax-losses carried forward has affected the deferred tax. Historical temporary differences in the subsidiaries have not affected the deferred tax liability in accordance with IFRS.

(SEK TH)	2018		2017	
	Basis	Tax	Basis	Tax
Deferred tax liability				
<i>Tax loss carry forwards:</i>				
Opening balance	(4)	1	(377)	83
Change of the year in income statement	4	(1)	373	(82)
Closing balance in the balance sheet	(0)	0	(4)	1
<i>Difference between the properties book and tax basis value:</i>				
Opening balance	79,055	(17,392)	81,414	(17,911)
Change of the year in income statement	35,693	(7,164)	(2,359)	519
Company acquisitions	-	-	-	-
Closing balance	114,748	(24,556)	79,055	(17,392)
Less, attributable to asset acquisitions				
Opening balance	-	-	-	-
Company acquisitions	-	-	-	-
Closing balance	-	-	-	-
Closing balance in the balance sheet	114,748	(24,556)	79,055	(17,392)
Total				
Opening balance	79,051	(17,391)	81,037	(17,911)
Change of the year in income statement	35,697	(7,165)	(1,986)	520
Change of the year in the statement of financial position	-	-	-	-
Closing balance in the balance sheet	114,748	(24,556)	79,051	(17,391)

18 Derivatives

18.1 Valuation

The Group, for historical reasons connected with the acquisition of a subsidiary, has interest rate derivatives. These derivatives may be subject to changes in value from time to time. These value changes occur primarily due to changes in market interest rates.

To calculate the market value of a derivative, market rates for its term are used as quoted on the balance sheet date. Interest rate swaps are valued by discounting future cash flows to present value while instruments containing options are valued at current repurchase price. As at December 31, 2018, the market value of the interest rate derivatives amounted to a liability of SEK 1,016,996 (1,449,639) where fair value is established according to level 2, IFRS 13.

Nominal value of interest-rate swap amounts to SEK 15,000,000 with an interest rate of 2,99%.

19 Financial risk management

19.1 Financing

Investing in property is a long term activity and the finance for it needs to be equally long term in nature. In any such investment a balance must be struck between equity and some form of borrowing. Borrowing can increase dramatically the returns on equity earned for shareholders (known as 'gearing') but as the proportion of that borrowing increases so does the risk attendant upon most forms of borrowing. The Group's primary policy in relation to borrowing is that loan finance across the entire portfolio of properties will not exceed 75% loan to value on a consolidated basis and that it will not exceed 85% in respect of any specific property.

The group has not at present issued any corporate bonds and hence relies upon traditional borrowing from major Nordic banks.

19.2 Financial policy and risk management

The financial policy of the group is set by the Board in accordance with their stated objective of investing in Swedish property with an emphasis on residential property.

19.3 Financial risk management

The board is responsible for the management of financial risk within the group. It is advised by the Property Adviser in relation to the business of the group. The board meets on a quarterly basis and reviews the financial reports on the group's operations. With loans entered in to on normal commercial mortgage terms for substantial periods of time and secured against real property one of the most significant areas of financial risk is related to the possibility of rises in interest rates which is dealt with below.

19.4 Funding risk

Funding agreements with the group's bank (Danske Bank) are long term agreements on normal commercial mortgage terms. Whilst the interest rate, as described elsewhere, is set on a three monthly basis, the mortgages themselves are amortized over the life of the loans which is 50 years. By agreement with the bank, loans carrying higher rates of interest are amortized earlier than those with lower rates. The board therefore considers that with long term loan funding in place for the investment properties currently owned by the group that funding risk is not a significant issue for the business. The group is not at present involved in any construction projects which would increase the risk that funding would not be forthcoming.

19.5 Interest risk

Changes in market interest rates and credit spreads affect borrowing costs. With substantial borrowings the group is potentially at risk from rises in interest rates and their effect both on the acceptable yield for property, which impacts the valuation of the portfolios and the direct effect on cash flow as a result of increased interest payments. As explained elsewhere the board considers that the nature of the Swedish residential rent regulatory system acts to ameliorate somewhat the impact of interest rate rises by corresponding increases in rental receipts. Some protection from such rises is provided by the interest rate swap arrangements in relation to the Intrenact portfolio (SEK 15,000,000 until 20th February 2021). In due course the board will consider entering in to rolling fixed rate borrowing arrangements in order to extend the protection of known fixed rates to the borrowing of the group on a profile which fits the investment horizon of the group. Typically, as was the case with another fund to which the Property Adviser acts as investment manager, such borrowing is a mixture of 2,3 and 5 year fixed terms. At present however with the current low

interest rates the borrowing of the group is fixed on a rolling 3 monthly basis enabling the group to benefit from the current historically low interest rates. The trend in 3, 5 and 10 year fixed interest rates and their relation to STIBOR is monitored on a monthly basis by the Property Adviser which will alert the board should the trend start to rise from its current low levels.

19.6 Currency risk

The Group is not exposed to significant currency risk as normally all transactions, assets and liabilities are based in the Swedish krona (SEK).

19.7 Counterparty risk

Counterparty risk refers to the risk that, at any moment, it is estimated that The Group's counterparties are unable to fulfill their contractual obligations.

The Group limits counterparty risk by requiring high credit ratings of the counterparties. High rating is defined to be that no rating agency indicates a rating that is below investment grade. The Group's counterparties are the major Nordic banks.

19.8 Future cash-flow

The long term nature of the mortgage arrangements in respect of the group's borrowing means that in the normal course of events the vast majority of the groups mortgage loans do not fall due to be repaid within the course of the next five years other than by normal amortization over a 50 year term (2% per year). There are two loans in place in respect of the Intrenact portfolio in Uddevalla. At 31 December 2018 one of these stood at SEK 61,130,000 with an interest rate of 1.85% and the other at SEK 11,684,000 with an interest rate of 1.35 %.

20 Accrued Expenses and Prepaid Income

	GROUP		PARENT	
	2018	2017	2018	2017
Pre-paid rents	-	-	-	-
Accrued interest	325,000	331,000	-	-
Other	947,000	2,101,000	152,500	40,000
Total	1,272,000	2,432,000	152,500	40,000

21 Pledged assets

	GROUP		PARENT	
	2018	2017	2018	2017
Property mortgages	141,175,000	141,175,000	-	-
Total	141,175,000	141,175,000	-	-

22 Long-term receivables, group companies

	PARENT	
	2018	2017
Opening acquisition value	25,530	24,950
New lending to subsidiaries	250	580
Closing balance/Book value	25,780	25,530

23 Financial instruments

The different categories of financial instruments in the Group's balance sheet are presented in the tables below:

LOANS AND ACCOUNTS RECEIVABLE	GROUP		PARENT		
	(SEK Th)	2018	2017	2018	2017
Assets					
Rent receivables		353	444	-	-
Other receivables		336	490	-	-
Cash and bank		1,595	1,000	25	238
Total		2,284	1,934	25	238

FINANCIAL LIABILITIES RECORDED AT ACCRUED ACQUISITION VALUE	GROUP		PARENT		
	(SEK Th)	2018	2017	2018	2017
Liabilities					
Interest rate derivatives		1,017	1,450	-	-
Currency derivatives		-	-	-	-
Long-term liabilities		124,452	127,826	-	-
Accounts payable		1,753	2,099	67	143
Other liabilities		4,490	2,916	160	47
Total		131,712	134,290	227	190

There are no restrictions on the ability of the group to utilize its cash resources as it requires.

24 Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between Level 1 and Level 2 in 2017 or 2018.

The valuation techniques used for instruments categorized in Levels 2 and 3 are described below:

Interest-rate derivatives (Level 2)

The Group's interest-rate derivatives are not traded in active markets. These have been fair valued using observable interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for interest-rate derivatives

25 Subsequent events

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorization.

26 Authorization of financial statements

The consolidated financial statements for the year ended 31 December 2018 (including comparatives) were approved by the board of directors on 3rd May 2019.

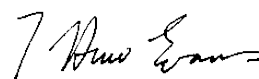
Trollhättan 3rd May 2019



Anders Hammar
Chairman of the Board



Peter Thungren
Board member



Huw Evans
Chief Executive Officer