

# Investeringselskabet Luxor A/S

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## Interim Report as at 31 December 2019

21 February 2020

Announcement No 5, 2019/20

### Interim Report as at 31 December 2019

The Supervisory Board of Investeringselskabet Luxor A/S has today adopted the Interim Report as at 31 December 2019.

#### First quarter 2019/20:

- Basic earnings amount to DKK 11.7 million (DKK 8.0 million).
- The Group's profit before tax amounts to DKK 17.9 million (DKK 5.2 million).

Profit before tax for the quarter is DKK 6.2 million higher than basic earnings, primarily due to:

- fair value adjustments of interest swaps and mortgage credit loans of DKK 6.5 million;
- fair value adjustments of financial assets of DKK -0.3 million.

#### Expected basic earnings 2019/20:

- Basic earnings of approx. DKK 33 million are expected in the financial year 2019/20, which is higher than expected basic earnings of approx. DKK 31 million announced in the most recent Company Announcement No 2, 2019/20 of 16 December 2019.
- Fair value adjustments of interest swaps and financial assets are not included in basic earnings and will until 10 February 2020 affect results for the year before tax by DKK 4.0 million. The amount is distributed with DKK 6.2 million for the period and DKK -2.2 million for the period 1 January to 10 February 2020.

For additional information concerning this Interim Report, please contact Jannik Rolf Larsen, CEO (tel: +45 3332 5015).

Announcement No 5 of 21 February 2020  
Interim Report for the period 1 October to 31 December 2019

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The Company's main activities are distributed on interest-bearing securities and properties, for which the Company has adopted a flexible investment strategy within a number of specific investment frameworks.

The overall objective of the Group is to achieve the best possible long-term return on investments for the shareholders by investing shareholders' equity and debt capital in capital investments within the risk frameworks established.

Investeringselskabet Luxor A/S intends to distribute annual dividend to the investors to the extent this is appropriate in view of results for the year and other circumstances.

Pursuant to the Danish Act on Alternative Investment Fund Managers, Investeringselskabet Luxor A/S is permitted to invest in mortgage deeds, bonds and properties and has been granted an exemption in respect of being permitted to manage shares received in connection with full or partial conversion of a corporate bond.

**FINANCIAL HIGHLIGHTS OF THE GROUP**

<u>DKK million</u>	OCTOBER - DECEMBER			
	<u>2019/20</u> <u>Q1</u>	<u>2018/19</u> <u>Q1</u>	<u>2017/18</u> <u>Q1</u>	<u>2018/19</u> <u>Full year</u>
<u>Key figures</u>				
Income .....	21.9	19.3	16.7	81.6
Gross earnings .....	19.2	16.0	11.0	69.0
Profit/loss before tax.....	17.9	5.2	2.9	19.7
Net profit/loss for the period .....	13.9	4.1	2.3	15.3
Basic earnings.....	11.7	8.0	5.0	29.0
Assets.....	906.5	878.6	865.2	908.3
Equity .....	359.8	357.6	354.5	0.0
Investment in property, plant and equipment .....	0.0	0.0	0.3	0.0
Profit/loss for analytical purposes:				
Net profit/loss for the period (after tax).....	<u>13.9</u>	<u>4.1</u>	<u>2.3</u>	<u>15.3</u>
<u>Ratios</u>				
<u>Values per DKK 100 share</u>				
Earnings per share (EPS) (DKK).....	13.94	4.06	2.29	15.26
Net asset value per share in circulation (DKK)..	359.77	357.62	354.54	345.83
Return on equity in percentage p.a. ....	15.80	4.56	2.59	4.36
Equity share in percentage.....	39.69	40.70	40.98	38.07
<u>Share capital</u>				
Nominal share capital, end of period (DKK million).....	100.0	100.0	100.0	100.0
Number of shares in circulation (DKK million).	100.0	100.0	100.0	100.0
Official price on the Stock Exchange per DKK 100 share:				
Lowest .....	402	416	405	402
Highest.....	434	456	440	555
End of period .....	434	446	415	416
Volume of trade on the Stock Exchange, number of shares.....	2,119	2,021	3,605	11,104
Listed on the Stock Exchange, number of shares.....	825,000	825,000	825,000	825,000

The key figures have been calculated in accordance with "Recommendations & Ratios January 2018" issued by the Danish Society of Financial Analysts. EPS and diluted EPS are in accordance with IAS 33.

**Basic earnings and results for the period**

The Group's basic earnings for the period amount to DKK 11.7 million (DKK 8.0 million).

Basic earnings are calculated as profit before tax for the period adjusted for fair value adjustments of interest swaps and financial assets.

The Group's profit before tax for the period amounts to DKK 17.9 million (DKK 5.2 million).

Profit before tax for the period is DKK 6.2 million higher than basic earnings, primarily due to fair value adjustments of interest swaps and debt to mortgage credit institutes of DKK 6.5 million and fair value adjustments of financial assets of DKK -0.3 million.

Similarly, profit before tax for the period 2018/19 was DKK 2.8 million lower than basic earnings, primarily due to adjustments of interest swaps and debt to mortgage credit institutes as well as financial assets.

After recognition of tax for the period of DKK 4.0 million (DKK 1.1 million), the profit after tax for the period amounts to DKK 13.9 million (DKK 4.1 million).

**Business areas**

The Group's balance sheet, which compared with the same time last year has increased from DKK 878.6 million to DKK 906.5 million, includes the following business areas:

	2019/20 <u>DKK million</u>	2018/19 <u>DKK million</u>
Mortgage deeds .....	676.6	655.7
Shares .....	<u>0.6</u>	<u>0.7</u>
Total securities.....	677.2	656.4
Investment properties .....	<u>191.4</u>	<u>187.9</u>
Total.....	<u>868.6</u>	<u>844.3</u>

**Mortgage deeds**

The fair value of the Group's portfolio of mortgage deeds amounts to DKK 676.6 million (DKK 655.7 million), and the nominal value amounts to DKK 724.2 million (DKK 719.6 million).

The fair value of the Group's portfolio of mortgage deeds is distributed with DKK 512.7 million (DKK 487.3 million) in fixed-interest mortgage deeds and DKK 163.9 million (DKK 168.4 million) in floating-rate cibor mortgage deeds.

Return on the portfolio of mortgage deeds for the period is specified as follows:

	2019/20 DKK million	2018/19 DKK million
Interest income.....	13.9	13.3
Capital gains, mortgage deeds .....	3.2	2.1
Fair value adjustment.....	-0.3	0.2
	16.8	15.6
Direct expenses, mortgage deeds.....	0.6	0.5
Realised losses on mortgage deeds, fair value adjustment for credit risk as well as expenses relating to the sale of mortgages in default.....	-2.7	-2.0
Bad debts recovered.....	2.7	1.5
	16.2	14.6

Fixed-interest mortgage deeds of a nominal amount of DKK 510.7 million (DKK 490.3 million) have been measured in the balance sheet at fair value on the basis of an effective interest rate of 8.25% p.a. (8.5% p.a.). Fixed-interest mortgage deeds of a nominal amount of DKK 31.9 million (DKK 37.9 million) and cibor mortgage deeds of a nominal amount of DKK 181.6 million (DKK 191.4 million) are measured at fair value, which substantially corresponds to the cost of the mortgage deeds. At the measurement of the portfolio of mortgage deeds at fair value, adjustment for credit risk has been recognised.

The Group's portfolio of mortgage deeds has an average fair value per mortgage deed of kDKK 299.9 (kDKK 299.4).

Net loss/gain, mortgage deeds amounts to DKK 0 million (DKK -0.5 million), which is in line with expectations.

Net loss/gain, mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK -2.7 million (DKK -2.0 million), including adjustment to meet credit risk on mortgage deeds and mortgage deed receivables as well as expenses relating to the sale of mortgages in default;
- bad debts recovered of DKK 2.7 million (DKK 1.5 million).

The total fair value adjustment for credit risk on mortgage deeds amounts to DKK 12.7 million (DKK 15.1 million), corresponding to 1.9% (2.3%) of the portfolio.

For the current financial year, the Group expects a small increase in the mortgage deed portfolio.

### **Investment properties**

The Group's balance sheet includes 5 (5) investment properties with a fair value of DKK 191.4 million (DKK 187.9 million).

Return on investment properties for the period is specified as follows:

	2019/20 DKK million	2018/19 DKK million
Rental income.....	3.8	3.2
Direct expenses, investment properties .....	1.8	2.3
	2.0	0.9

As to the Group's total portfolio of rental properties, which comprises approx. 34,085 m<sup>2</sup>, it can be stated that at 31 December 2019, the lease rate is approx. 91.3% (85.5%).

In connection with new leases, costs for rebuilding and renovation of the m<sup>2</sup> let out have been recognised at approx. DKK 0.9 million.

### **Financing and debt**

The fair value of the Group's short-term debt to credit institutions amounts to DKK 415.2 million (DKK 406.4 million), raised in Danish kroner.

The Company has pegged the interest rate on DKK 250 million (DKK 250 million) through DKK interest swaps with a remaining duration of up to approx. 9.25 years. Fair value adjustments of interest swaps for the period amount to DKK 4.9 million (DKK -2.7 million) due to the interest rate development.

The interest swaps entered into are used to hedge the interest rate risk on basic earnings. The total fair value adjustment of interest swaps with credit institutions is DKK -14.4 million (DKK -7.8 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

### **Mortgage credit loans, investment properties**

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 92.4 million (DKK 88.3 million).

Fair value adjustment of mortgage credit loans for the period amounts to DKK 0.9 million (DKK 0.0 million).

The Group has pegged the interest rate on DKK 30.8 million (DKK 34.9 million) through interest swaps with a duration of up to 7.0 years. Fair value adjustment of interest swaps for the period amounts to DKK 0.7 million (DKK 0.0 million).

The interest swaps entered into are used to hedge floating-rate loans from mortgage credit institutes. The total fair value adjustment of interest swaps with mortgage credit institutes is DKK -4.1 million (DKK -4.4 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

After the end of the quarter, the Group has raised mortgage credit loans of DKK 14 million. The loans have been raised as cash loans issued on the basis of 0.5% bonds with maturity in 2040.

### **Risk relating to equity and market values upon change of parameter**

The below table shows the sensitivity of a number of significant balance sheet items at 31 December 2019 and 31 December 2018.

<u>DKK million</u>	<u>Increase in parameter</u>	<u>2019/20 Fair value</u>	<u>2019/20 Change of value</u>	<u>2018/19 Fair value</u>	<u>2018/19 Change of value</u>
Mortgage deeds	1% effective rate of interest	676.6	26.5	655.7	25.3
Shares	10% change in value	0.6	0.1	0.7	0.1
Investment properties	0.5% yield requirement	191.4	12.3	187.9	12.3
Securities in foreign currencies	10% change in value	0.6	0.1	0.7	0.1
Interest swaps	0.5% interest rate change	-18.5	-8.2	-12.2	-8.4

It should be added that if the above parameters were to develop negatively due to an increase in interest rates, this would be counterbalanced by a certain reduction of the cash value of mortgage credit loans and interest swaps.

The Group's financial risks and financial instruments are described in note 32 to the Annual Report; see the Company's website [www.luxor.dk](http://www.luxor.dk).

### **Future prospects and post balance sheet events**

Basic earnings of approx. DKK 33 million are expected in the financial year 2019/20, which is higher than expected basic earnings of approx. DKK 31 million announced in the most recent Company Announcement No 2, 2019/20 of 16 December 2019.

Fair value adjustments of interest swaps and financial assets are not included in basic earnings and will from the beginning of the financial year until 10 February 2020 affect results for the year before tax by DKK 4.0 million. The amount is distributed with DKK 6.2 million for the period and DKK -2.2 million for the period 1 January to 10 February 2020.

The expectations relating to basic earnings are subject to a number of risks and uncertainties. Therefore, actual basic earnings may differ from the expectations in the Interim Report.

The Company publishes the expected level of basic earnings for the year in its Annual Report and Interim Reports. The earnings expectations are not specified in detail as the return on fixed asset investments and debt changes on a daily basis, which means that the earnings expectations differ from the actual expectations already at the time of publication.

### **Basis of preparation**

The Interim Report has been prepared in accordance with the same accounting policies as the Annual Report for 2018/19, to which we refer.

The accounting policies remain unchanged from those applied in the Annual Report as at 30 September 2019.

The chosen presentation of the Interim Report as at 31 December 2019 remains unchanged compared to last year.

The Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including IAS 34 on Interim Reports, and additional Danish disclosure requirements relating to listed companies.

**MANAGEMENT'S STATEMENT**

The Supervisory and Executive Boards have today considered and adopted the Interim Report of Investeringselskabet Luxor A/S for the period 1 October - 31 December 2019.

The Interim Report, which comprises summarised consolidated financial statements of Investeringselskabet Luxor A/S, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including IAS 34 on Interim Reports, and additional Danish disclosure requirements relating to listed companies.

We consider the accounting policies applied appropriate, so that the Interim Report gives a true and fair view of the financial position as at 31 December 2019 of the Group and of the results of the Group's operations and cash flows for the period 1 October - 31 December 2019.

The Interim Report has not been audited by the Company's auditor.

Copenhagen, 21 February 2020

Executive Board:

Jannik Rolf Larsen

Supervisory Board:

Steffen Heegaard

Casper Moltke  
Chairman

Michael Hedegaard Lyng

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD**  
**1 OCTOBER - 31 DECEMBER 2019**

	Note	Group		
		1/10 - 31/12 2019 DKK '000	1/10 - 31/12 2018 DKK '000	1/10 2018- 30/9 2019 DKK '000
Financial income .....	2	17,241	15,477	61,797
Net loss/gain, mortgage deeds .....	3	2	-461	-3,511
Fair value adjustment of financial assets .....	4	-297	-58	6,463
		<u>16,946</u>	<u>14,958</u>	<u>64,749</u>
Rental income .....		3,814	3,195	13,987
Other income .....		855	641	2,615
Fair value adjustment of investment properties .....		0	0	219
		<u>4,669</u>	<u>3,836</u>	<u>16,821</u>
<b>Total income</b> .....		21,615	18,794	81,570
Direct expenses, securities .....		595	472	1,853
Direct expenses, properties .....		1,823	2,315	10,759
<b>Total gross earnings</b> .....		19,197	16,007	68,958
Financial expenses .....	5	-2,916	6,490	32,773
		<u>22,113</u>	<u>9,517</u>	<u>36,185</u>
Other external expenses .....		1,092	925	3,299
Staff expenses .....	6	3,034	3,277	12,753
Depreciation and amortisation .....		103	103	412
		<u>4,229</u>	<u>4,305</u>	<u>16,464</u>
<b>Profit/loss before tax</b> .....		17,884	5,212	19,721
Tax on profit/loss for the period .....	7	3,947	1,157	4,459
<b>NET PROFIT/LOSS FOR THE PERIOD</b> <b>(COMPREHENSIVE INCOME)</b> .....		<u>13,937</u>	<u>4,055</u>	<u>15,262</u>
Earnings per share (EPS) for A & B shares in DKK..		13.9	4.1	15.3
Earnings per share (EPS) for A & B shares in DKK (diluted value) .....		13.9	4.1	15.3

**BALANCE SHEET AS AT 31 DECEMBER 2019**

**ASSETS**

	Group		
<u>Note</u>	<u>31/12 2019</u> <u>DKK '000</u>	<u>31/12 2018</u> <u>DKK '000</u>	<u>30/9 2019</u> <u>DKK '000</u>
<b>Fixed assets</b>			
Domicile properties .....	10,595	10,784	10,642
Fixtures, fittings and equipment .....	430	653	486
<b>Property, plant and equipment .....</b>	<b>11,025</b>	<b>11,437</b>	<b>11,128</b>
Investment properties.....	191,400	187,886	191,400
Rebuilding in progress .....	0	2,465	0
<b>Investment properties.....</b>	<b>191,400</b>	<b>190,351</b>	<b>191,400</b>
Securities .....	8	677,162	656,400
<b>Fixed asset investments .....</b>	<b>677,162</b>	<b>656,400</b>	<b>687,984</b>
<b>Non-current assets.....</b>	<b>879,587</b>	<b>858,188</b>	<b>890,512</b>
Other receivables .....	7,704	8,758	7,063
Prepayments .....	904	262	1,081
<b>Receivables .....</b>	<b>8,608</b>	<b>9,020</b>	<b>8,144</b>
<b>Cash at bank and in hand.....</b>	<b>18,329</b>	<b>11,421</b>	<b>9,659</b>
<b>Current assets .....</b>	<b>26,937</b>	<b>20,441</b>	<b>17,803</b>
<b>ASSETS .....</b>	<b>906,524</b>	<b>878,629</b>	<b>908,315</b>

**BALANCE SHEET AS AT 31 DECEMBER 2019**

**LIABILITIES AND EQUITY**

	<u>Note</u>	Group		
		31/12 2019 DKK '000	31/12 2018 DKK '000	30/9 2019 DKK '000
Share capital .....		100,000	100,000	100,000
Proposed dividend .....		23,000	23,000	23,000
Retained earnings .....		236,766	234,622	222,829
<b>Equity .....</b>		<b>359,766</b>	<b>357,622</b>	<b>345,829</b>
Deferred tax .....	7	9,475	3,839	6,253
Mortgage credit institutes .....	9	83,743	80,111	86,723
Interest swaps .....	11	18,221	11,877	23,775
Other payables .....		395	0	97
<b>Non-current liabilities .....</b>		<b>111,834</b>	<b>95,827</b>	<b>116,848</b>
Mortgage credit institutes .....	9	8,397	7,939	8,381
Credit institutions .....	10	415,178	406,413	425,559
Deposits .....		4,590	3,544	4,363
Corporation tax .....		641	0	618
Other payables .....		5,067	5,163	5,837
Interest swaps .....	11	273	354	290
Deferred income .....		778	1,767	590
<b>Current liabilities.....</b>		<b>434,924</b>	<b>425,180</b>	<b>445,638</b>
<b>Liabilities.....</b>		<b>546,758</b>	<b>521,007</b>	<b>562,486</b>
<b>LIABILITIES AND EQUITY .....</b>		<b>906,524</b>	<b>878,629</b>	<b>908,315</b>

Note 12 Financial gearing

**STATEMENT OF CHANGES IN EQUITY**  
**Group**

	Share capital A shares DKK '000	Share capital B shares DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000
<b>Equity A and B shares at 1 October 2018.....</b>	<b>17,500</b>	<b>82,500</b>	<b>230,567</b>	<b>23,000</b>	<b>353,567</b>
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>4,055</u>	<u>0</u>	<u>4,055</u>
<b>Equity A and B shares at 31 December 2018.....</b>	<b><u>17,500</u></b>	<b><u>82,500</u></b>	<b><u>234,622</u></b>	<b><u>23,000</u></b>	<b><u>357,622</u></b>
<b>Equity A and B shares at 1 October 2019.....</b>	<b>17,500</b>	<b>82,500</b>	<b>222,829</b>	<b>23,000</b>	<b>345,829</b>
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>13,937</u>	<u>0</u>	<u>13,937</u>
<b>Equity A and B shares at 31 December 2019.....</b>	<b><u>17,500</u></b>	<b><u>82,500</u></b>	<b><u>236,766</u></b>	<b><u>23,000</u></b>	<b><u>359,766</u></b>

**CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER - 31 DECEMBER 2019**

	Group	
	2019/2020 DKK '000	2018/19 DKK '000
<b>Cash flows from operating activities</b>		
Interest received on mortgage deeds .....	13,959	13,376
Other financial income .....	104	87
Other income .....	855	641
Rental income.....	4,273	3,638
Interest payments.....	-3,527	-3,507
Operating expenses and other payments .....	-7,497	-5,316
Expenses relating to the sale of mortgages in default.....	0	-13
Corporation tax.....	-702	-1,476
<b>Cash flows from operating activities.....</b>	<b>7,465</b>	<b>7,430</b>
<b>Cash flows from investing activities</b>		
Additions of mortgage deeds.....	-30,330	-39,110
Disposals of mortgage deeds.....	43,780	29,106
Deposits received.....	227	392
Capital investments .....	0	-850
<b>Cash flows from investing activities.....</b>	<b>13,677</b>	<b>-10,462</b>
<b>Cash flows from financing activities</b>		
Repayment, credit institutions.....	-10,381	-16,266
Raising of loans, mortgage credit institutes.....	0	21,907
Repayment, mortgage credit institutes .....	-2,091	-1,723
<b>Cash flows from financing activities.....</b>	<b>-12,472</b>	<b>3,918</b>
Net change in cash and cash equivalents.....	8,670	886
Cash and cash equivalents, beginning of period.....	9,659	10,535
<b>Cash and cash equivalents, end of period.....</b>	<b>18,329</b>	<b>11,421</b>

**SEGMENT REPORTING**  
**Group**

	Mortgage deeds DKK '000	Shares DKK '000	Investment properties DKK '000	Other DKK '000	Total DKK '000
<b>Group 2019/20</b>					
Income (realised) .....	17,241	0	3,814	855	21,910
Fair value adjustment.....	-268	-29	0	0	-297
Gross earnings .....	16,380	-29	1,991	855	19,197
Assets.....	683,095	584	192,281	30,564	906,524
Capital investments.....	30,330	0	0	0	30,330
Liabilities (segments).....	429,227	358	119,530	-9,238	539,877

<b>Group 2018/19</b>					
Income (realised) .....	15,477	0	3,195	641	19,313
Fair value adjustment.....	228	-286	0	0	-58
Gross earnings .....	14,772	-286	880	641	16,007
Assets.....	663,162	667	190,522	24,278	878,629
Capital investments.....	39,110	0	850	0	39,960
Liabilities (segments).....	413,767	413	113,735	-13,838	514,077

Gross earnings of the segments do not include depreciation, amortisation and interest expenses. Consequently, there is an asymmetry between interest expenses and liabilities.

For a specification from gross earnings to net profit/loss for the period, please refer to the Consolidated Income Statement.

The segment mortgage deeds includes fair value adjustments relating to credit risks of kDKK 12,686 (kDKK 15,117). The financial period saw a positive fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 2,556 (kDKK 3,297), see note 5. For mortgage deeds, fair value adjustments relating to credit risks are made on the basis of an individual assessment, and for mortgage deed receivables, partly as a general provision and partly on the basis of an individual assessment.

For all segments, gross earnings include the item fair value adjustment, which is not a cash income/expense. The item is specified in note 6.

Gross earnings in the segment reporting can be reconciled with the Group's profit for the period before tax as follows:

	<u>Group</u>	
	<u>2019/20</u>	<u>2018/19</u>
	<u>DKK '000</u>	<u>DKK '000</u>
Gross earnings.....	19,197	16,007
Financial expenses .....	-2,916	6,490
Other external expenses .....	1,092	925
Staff expenses .....	3,034	3,277
Depreciation and amortisation .....	<u>103</u>	<u>103</u>
Profit/loss before tax .....	<u>17,884</u>	<u>5,212</u>

The liabilities in the segment reporting can be reconciled with group totals as follows:

	Group	
	2019/20 DKK '000	2018/19 DKK '000
Liabilities, segments .....	539,877	514,077
Other payables .....	5,462	5,163
Corporation tax .....	641	0
Deferred income .....	778	1,767
Liabilities.....	546,758	521,007

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>1. Statement of basic earnings</b>		
Financial income .....	17,241	15,477
Rental income .....	3,814	3,195
Other income .....	855	641
Net loss/gain, mortgage deeds .....	2	-461
Direct expenses, securities.....	595	472
Direct expenses, properties.....	1,823	2,315
Financial expenses.....	3,531	3,732
Other external expenses.....	1,092	925
Staff expenses.....	3,034	3,277
Depreciation and amortisation.....	103	103
<b>Basic earnings .....</b>	<b>11,734</b>	<b>8,028</b>
<b>2. Financial income</b>		
Mortgage deeds, interest.....	13,907	13,331
Capital gains, mortgage deeds.....	3,230	2,061
Capital gain, shares.....	0	-1
Currency swaps .....	0	1
Other financial income .....	104	85
	17,241	15,477

Group

	<u>2019/20</u>	<u>2018/19</u>
	<u>DKK '000</u>	<u>DKK '000</u>

**3. Net loss/gain, mortgage deeds**

Realised net losses on mortgage deeds and mortgage deed receivables .....	5,220	5,297
Fair value adjustment for credit risk, mortgage deeds and mortgage deed receivables.....	2,556	3,297
Expenses relating to the sale of mortgages in default.....	<u>0</u>	<u>13</u>
	-2,664	-2,013
 Bad debts recovered .....	 <u>2,666</u>	 <u>1,552</u>
	<u>2</u>	<u>-461</u>

**4. Fair value adjustment of financial assets**

Fair value adjustment, mortgage deeds .....	-268	228
Fair value adjustment, shares.....	<u>-29</u>	<u>-286</u>
	<u>-297</u>	<u>-58</u>

**5. Financial expenses**

Credit institutions .....	2,750	2,723
Interest swaps, credit institutions.....	123	77
Interest swaps, credit institutions, fair value adjustment.....	<u>-4,904</u>	<u>2,755</u>
	-2,031	5,555
Mortgage credit institutes .....	383	367
Interest swaps, realised fair value, mortgage credit institutes .....	275	297
Mortgage credit institutes, fair value adjustment .....	-876	-34
Interest swaps, mortgage credit institutes, fair value adjustment .....	-667	37
Expenses relating to raising of loans from mortgage credit institutes....	<u>0</u>	<u>268</u>
	<u>-2,916</u>	<u>6,490</u>

**6. Staff expenses**

Remuneration of Supervisory Board .....	<u>170</u>	<u>153</u>
Wages and salaries .....	2,611	2,869
Defined contribution plan.....	231	233
Other social security expenses.....	<u>22</u>	<u>22</u>
Other staff, total.....	<u>2,864</u>	<u>3,124</u>
Total staff expenses .....	<u>3,034</u>	<u>3,277</u>
Average number of employees .....	<u>13</u>	<u>13</u>

Pursuant to the Danish Act on Alternative Investment Fund Managers etc, it can be stated that the remuneration policy and practice are in accordance with the requirements concerning sound and effective risk management.

In the financial year, remuneration of the Executive Board and employees in the Parent Company (a total of two persons) who have a significant influence on the Parent Company's risk profile amounts to DKK 0.9 million (DKK 1.1 million).

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>7. Corporation tax</b>		
Tax on profit/loss on ordinary activities for the period:		
Calculated tax 22% of profit/loss before tax for the period.....	3,934	1,147
Tax effect of:		
Non-taxable income, expenses, value adjustments, etc.....	13	10
	3,947	1,157
Effective tax rate.....	22.07%	22.20%
Tax asset at 1 October 2019 .....	19,930	22,911
Transferred to DI-Ejendoms Invest A/S.....	-293	-173
Change in deferred tax recognised in the income statement .....	-2,872	-755
Tax asset at 31 December 2019.....	16,765	21,983
Deferred tax at 1 October 2019 .....	26,183	25,593
Change in deferred tax recognised in the income statement .....	57	229
Deferred tax at 31 December 2019.....	26,240	25,822
Total deferred tax at 31 December 2019 .....	9,475	3,839
The value of deferred tax is specified as follows:		
Investment properties .....	26,199	25,624
Fixed asset investments, fair value adjustments relating to mortgage credit institutes and credit institutions, etc .....	-247	-308
Tax loss carry-forwards.....	-16,477	-21,477
Deferred tax.....	9,475	3,839

Deferred tax is calculated at a tax rate of 22%. The tax asset is recognised to the extent that it is expected to be realised in the form of future taxable profits.

The loss on the Group's portfolio of shares which is deductible against income from like-kind source is not recognised in the tax loss. At 31 December 2019, the loss amounts to DKK 97.5 million (DKK 97.5 million) measured on the basis of a tax rate of 22%. Utilisation of the tax loss is not time-limited.

	Group	
	2019/20	2018/19
	DKK '000	DKK '000
<b>8. Securities</b>		
Number of mortgage deeds.....	2,298	2,241
Mortgage deeds distributed on nominal value:		
Fixed-interest mortgage deeds:		
Measured at fair value on the basis of an average effective interest rate of 8.25% p.a. (8.5% p.a.).....	510,682	490,326
Measured at fair value, which substantially corresponds to the cost of the mortgage deeds .....	31,938	37,850
Total fixed-interest mortgage deeds .....	542,620	528,176
Cibor mortgage deeds, measured at fair value on the basis of the cost of the mortgage deeds .....	181,596	191,429
	724,216	719,605

The portfolio of securities in the Parent Company and the Group at 31 December 2019 is specified as follows:

	Mortgage deeds	Shares	Total
Total cost .....	677,080	1,610	678,690
Fair value adjustment .....	12,184	-1,026	11,158
Fair value adjustment, credit risk .....	-12,686	0	-12,686
Fair value .....	676,578	584	677,162

Adjustment for credit risk has been deducted at the fair value measurement of the portfolio of mortgage deeds.

At the fair value measurement, no redeemable mortgage deeds have been recognised at a value higher than the nominal value or minimum the redemption price. The difference between fair value and nominal amount is kDKK 47,638 (kDKK 63,872), of which kDKK 12,686 (kDKK 15,117) relates to fair value adjustment for credit risk.

	Group	
	2019/20	2018/19
	DKK '000	DKK '000
<b>9. Mortgage credit institutes</b>		
Cash loan, outstanding debt.....	91,842	87,345
Fair value of outstanding debt, bonds.....	92,363	88,270
Measurement of debt to mortgage credit institutes:		
Investment properties, fair value .....	84,887	80,411
Domicile property, amortised cost.....	7,253	7,639
	92,140	88,050

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>10. Credit institutions</b>		
Fair value of loans (DKK), credit institutions .....	415,178	406,413

**11. Interest swaps**

The Group has entered into interest swaps for the hedging of interest risks on floating-rate loans from mortgage credit institutes with a contractual nominal value of DKK 30.8 million (DKK 34.9 million) and loans from credit institutions with a contractual value of DKK 250.0 million (DKK 250.0 million). The interest swaps entered into do not qualify for hedge accounting.

	Contractual value in million	Remaining term	Fair value DKK '000	Value ad- justment in the income statement DKK '000
<b>Interest swaps, mortgage credit institutes</b>				
Group				
31 December 2019				
Interest swaps cibor 6 months	DKK 18.7	31.12.2027	-3,577	-517
Interest swaps cibor 3 months	DKK 12.1	31.12.2024	-510	-150
			-4,087	-667
<b>Interest swaps, credit institutions</b>				
Group				
31 December 2019				
Interest swap	DKK 25.0	03.07.2020	-273	-17
Interest swap	DKK 50.0	09.07.2022	-1,907	-309
Interest swap	DKK 25.0	26.06.2025	-1,187	-490
Interest swap	DKK 25.0	29.07.2025	-2,134	-480
Interest swap	DKK 25.0	26.06.2026	-1,502	-600
Interest swap	DKK 50.0	26.06.2027	-3,645	-1,419
Interest swap	DKK 25.0	25.01.2028	-2,391	-746
Interest swap	DKK 25.0	22.03.2029	-1,368	-843
			-14,407	-4,904

**12. Financial gearing**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
The Group's financial gearing is specified as follows:		
Credit institutions .....	415,178	406,413
Mortgage credit institutes .....	92,140	88,050
Other payables .....	5,067	5,163
Corporation tax .....	641	0
Cash and cash equivalents .....	-18,329	-11,421
	494,697	488,205
Equity .....	359,766	357,622
Financial gearing .....	1.38	1.37