Accunia Fondsmæglerselskab A/S

Business Registration No. 31 41 98 59

Annual Report 2018 (11th financial year)

(01.01.2018 to 31.12.2018)

The Annual General Meeting adopted the annual report on 29.03.2019

Chairman of the General Meeting

Contents

Company details

Company

Accunia Fondsmæglerselskab A/S
Store Regnegade 5, 1.
1110 Copenhagen K
Business Registration No. 31 41 98 59
Registered in: City of Copenhagen, Denmark

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Internet: www.accunia.com
E-mail: info@accunia.com

Board of Directors

Peter Aandahl (Chairman)
Jørgen Clausen
Carsten Krogh Gomard

Executive Board

Henrik Nordby Christensen (Chief Executive Officer)

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by Management on annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Accunia Fondsmæglerselskab A/S for the financial year 01.01.2018 to 31.12.2018.

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

In our opinion, the financial statements provide a true and fair view of the Investment Company's financial position at 31.12.2018 and of its financial performance for the financial year 01.01.2018 to 31.12.2018.

In our opinion, the management commentary contains a fair review of developments in the Investment Company's operations and financial matters, as well as a description of material risks and uncertainties by which the Investment Company may be influenced.

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

Copenhagen, 19.03.2019

Executive Board

Henrik Nordby Christensen
Chief Executive Officer

Board of Directors

Peter Aandahl
(Chairman)

Jørgen Clausen

Carsten Krogh Gomard

Independent auditor's report

To the shareholder of Accunia Fondsmæglerselskab A/S

Opinion

We have audited the financial statements of Accunia Fondsmæglerselskab A/S for the financial year 01.01.2018 to 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2018 and of its financial performance for the financial year 01.01.2018 to 31.12.2018 in accordance with the Danish Financial Business Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Company in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

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

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

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

Copenhagen, 19.09.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Jens Ringbæk
State-Authorised Public Accountant
MNE-no. 27735

Jonas Gjoerup Larsen
State-Authorised Public Accountant
MNE-no. 44144

Management commentary

Primary activities

The Investment Company's focus is to provide asset management and investment services to high net worth individuals, companies and professional institutional investors as well as to serve as collateral manager for Accunia European CLO I BV, Accunia European CLO II BV, Accunia European CLO III DAC and future CLOs, it may engage in.

The Investment Company has established two alternative investment funds (AIF) in the second half of 2017.

Uncertainty relating to recognition and measurement

Please refer to note 2 of the financial statements for a description of accounting estimates. No recognition or measurement uncertainties are deemed to exist in relation to the presentation of the financial statements.

Knowledge resources

Accunia Fondsmæglerselskab A/S has many employees holding specialist competencies in investment areas particularly, and continuous efforts are made to attract and retain staff with much experience and many professional skills. This is key in the Investment Company's ability to continue to perform well and maintain its business foundation.

Unusual circumstances

No unusual circumstances have occurred during the year affecting recognition or measurement.

Development in activities and finances

The profit for the year was DKK 20.8 (DKK 18.9 million in 2017), which Management deems satisfactory and in line with the budget. The profit has been positively affected by the issuance of Accunia's third CLO in August 2018 and net sales of Accunia's two listed investment funds, whilst the performance related earnings were less than expected.

The company has approximately DKK 15 billion in assets under management.

The equity as of 31.12.2018 was DKK 210.4 million, which more than sufficiently covers both company needs and legislative requirements.

Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today's date.

Expectations and other comments on the future

It is expected that Accunia's fourth CLO will be issued in the second half of 2019, if the market conditions for an issuance are present.

Specific risks

The primary risks are estimated to be related to the significance of financial market conditions to the Investment Company's risk retention portfolio and returns for customers, which affect its earnings.

Management duties

Executive Board management duties

Henrik Nordby Christensen

Chairman of the Board:
Kapitalforeningen Accunia Invest
ACM Forvaltning A/S

Member of the Board:
Air-Invest Holding A/S
Core Bolig VI Investoraktieselskab Nr. 1
Core Bolig VI Kommanditaktieselskab
Ejendomsselskabet Ryesgade Kommanditaktieselskab
Ejendomsselskabet Ryesgade Kommanditaktieselskab

Executive in:
Accunia A/S

Management duties – Board of Directors

Peter Aandahl

Chairman of the Board:
Accunia A/S

Member of the Board:
Aandahl A/S
Frederiksborg Ejendomme ApS
Gallerierne Hillerød A/S
Hansen Specialized Transportation ApS
Letinvest ApS
One Life Foundation Fond

Executive in:
Aandahl A/S
Franck & Tobiesen (UK) Ltd., England
Hansen Shipping Agency Inc, USA
Hansen Shipping (UK) Ltd., England
Hansen Specialized Transportation ApS
Hegnsholt Holding ApS
PAA 001 IVS
Pinus Silva SIA, Letland
Selecta Ejendomme ApS
Siljan Properties ApS
United Cargo Handling ApS

Jørgen Clausen

Chairman of the Board:
Buresø Invest ApS

Member of the Board:
Accunia A/S
COOP Danmark A/S
COOP Holding A/S
Kollensøvej 4 ApS

Executive in:
Buresø Invest ApS
Guldbjergdal P/S
Kollensøvej 4 ApS

Mangement duties (continued)

Carsten Krogh Gomard

Chairman of the Board:
Selma Diagnostics ApS

Executive in:
Carsten Gomard Holding ApS
Netcompany Holding ApS

Member of the Board:
Accunia A/S
ApS Komplementarselskabet Hillerød III
Brown Guy ApS
Grosser Emil Hjort og Hustru Therese Hjort, født Seidelins Legat
K/S Hillerød III
Københavns Universitet
Netcompany Group A/S

The Board's proposed dividends

The Company pay out DKK 10 million in dividens for the financial year 01.01.2018 to 31.12.2018.

Income statement and statement of comprehensive income for 2018

	Note	2018 DKK'000	2017 DKK'000
Income statement			
Financial income	6	12,023	6,804
Financial expenses	7	(4,801)	(2,940)
Net financial income		**7,222**	**3,864**
Fee and commission income		64,318	67,332
Fee and commission expenses		(889)	(180)
Net financial income, fee and commission income	**9**	**70,651**	**71,016**
Market value adjustments	8	(23)	(42)
Staff costs and administrative expenses	10	(48,378)	(45,456)
Impairments of loans and other receivables		(236)	(1,017)
Profit/loss before tax		**22,014**	**24,501**
Income tax	11	(1,167)	(5,633)
Profit for the year		**20,847**	**18,868**
Other comprehensive income		0	0
Other comprehensive income after tax		**0**	**0**
Comprehensive income for the year		**20,847**	**18,868**
Distribution of comprehensive income for the year			
Dividend for the financial year		10,000	0
Retained earnings		10,847	18,868

Balance sheet at 31.12.2018

	Note	2018 DKK'000	2017 DKK'000
Receivables from credit institutions and central banks	12	21,411	29,105
Bonds at fair value	13	36,966	5,287
Bonds at amortised cost	13	380,188	298,507
Shares etc.		0	1,995
Intangible assets		37,209	37,209
Current tax assets		7,615	0
Deferred tax assets		3	676
Other assets	14	34,742	32,728
Prepayments		8,201	3,191
Total assets		**526,335**	**408,698**

	Note	2018 DKK'000	2017 DKK'000
Debt to credit institutions and central banks	15	0	4
Other liabilities	16	315,888	204,097
Total liabilities		**315,888**	**204,101**
Share capital	17	12,980	12,980
Buyback of own shares		(1,634)	0
Retained earnings		202,464	191,617
Effect of changed accounting principles		(13,363)	0
Proposed dividend		10,000	0
Equity		**210,447**	**204,597**
Total equity and liabilities		**526,335**	**408,698**

Other notes, including contingent liabilities 19-23

Statement of changes in equity for 2018

	Share capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity at 01.01.2018	**12,980**	**191,617**	**0**	**204,597**
Effect of changed accounting principle	0	(13,325)	0	(13,325)
Equity at 01.01.2018 after adjustment	**12,980**	**178,292**	**0**	**191,272**
Profit/loss for the year	0	20,847	0	20,847
Adjustment of changed accounting principle	0	(38)	0	(38)
Proposed dividend	0	(10,000)	10,000	0
Other comprehensive income	0	0	0	0
Comprehensive income for the year	**0**	**10,809**	**10,000**	**20,809**
Paid dividend	0	0	0	0
Buyback of own shares	0	(1,634)	0	(1,634)
Capital increases or reductions	0	0	0	0
Equity at 31.12.2018	**12,980**	**187,467**	**10,000**	**204,597**

	Share capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity at 01.01.2017	**8,000**	**41,285**	**0**	**49,285**
Effect of merger with Accunia Credit Management	4,980	131,464	0	136,444
Equity at 01.01.2017 after merger	**12,980**	**172,749**	**0**	**185,729**
Profit/loss for the year	0	18,868	0	18,868
Other comprehensive income	0	0	0	0
Comprehensive income for the year	**0**	**18,868**	**0**	**18,868**
Paid dividend	0	0	0	0
Capital increases or reductions	0	0	0	0
Equity at 31.12.2017	**12,980**	**191,617**	**0**	**204,597**

Notes to the financial statements

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Notes

1. Significant accounting policies and changes to accounting policies

The annual report is presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Asset Management Companies etc.

Accounting policies have been changed as of 1. January 2018 with the implementation of the financial reporting standard IFRS 9, which came into effect on 1. January 2018. The primary provisions have been implemented in the Danish Accounting Act with effect as of 1. January 2018.

IFRS 9 result in a new approach to the classification of financial assets, which is based upon the company's business model and the underlying cash flows of the assets. Additionally, IFRS 9 seperately handles investments in "contractually linked instruments". These are characterised by the issuer prioritising the payments to investors in a waterfall structure by issuing instruments that are contractually linked and favours higher tier tranches, which is the case in the CLO structure. The decisive factor in recognising the tranches at either amortised cost or fair value is whether the cash flows solely consist of interest and installments.
If the CLOs fulfill the conditions below, then they are recognised at amortised cost, if they do not meet the conditions, they are recognised at fair value.

- The contractual conditions in the tranche (without the use of look-through on the underlying pool of instruments in the SPV) is characterised by that payments are only received on the principal and interest on the principal amount (e.g. the interest payments are not dependent on a stock or commodity index).
- In the underlying pool of instruments in the SPV, there must a minimum of one or more instruments that possess the characteristics described in the point above. The underlying pool of instruments may also include instruments that reduce the volatility of the cash flows from interest and principal (e.g. interest or currency swaps that can be linked to instruments that have passed the SPPI test).
- The credit risk of the tranche in question must be equal to or less than the the credit risk that the tranche would have, if it were to solely fund the underlying pool of assets. In other words, the credit risk of the tranche must be equal to or less than the average credit risk of the underlying pool.

This leads to some tranches will henceforth be classified as bonds at fair value, which is a change in accounting policy. This revaluation constitutes DKK 13.3 million after taxes, which is added directly to the equity in accordance with the rules of transistion, because the revaluation is an implication of IFRS 9.

For further detail, please refer to note 22 in which the changes are described along with other accounting policies.

Except from the IFRS 9 adjustment, the accounting policies are consistent with those applied in the Annual Report for 2017.

The annual report is presented in Danish kroner and rounded to the nearest thousand.

Accounting policies of particular significance to the presentation of financial statements of Accunia Fondsmæglerselskab A/S are presented in note 1. Other accounting policies are presented in note 23.

Income statement and statement of comprehensive income

Financial income, fees and commissions

Interest income and expenses are recognised in the income statement for the period in which they arise. Commissions and fees on services rendered over a period, e.g. fee on asset management, are accrued over the period. Fees for carrying out a certain transaction, e.g. commissions and custodian fees, are recognised as income/expenses, when the transaction is completed.

Balance sheet

Bonds at fair value

Bonds and mortgage bonds traded on active markets are measured at fair value. The fair value is calculated on the basis of the closing price on the market in question at the balance sheet date. Bonds redeemed are measured at present value.

If the market for one or more bonds or mortgage deeds is illiquid or if there is no publicly recognised price, the Investment Company will determine the fair value by using recognised valuation techniques. These techniques include the use of reference to similar new transactions among independent parties, reference to other similar instruments, analyses of discounted cash flows as well as other models based on observable market data.

Bonds that are gained as a result of issuance of CLOs, where the agreement states that these are limited for trade, must be recognised and measured in accordance with IFRS 9. If these are possessed with the intention of enforcing the contractual conditions, and the resulting cash flows do not solely consist of principal instalments and interests, then they are measured through the income statement. The fair value is computed by discounting the future cash flows.

Bonds at amortised cost

Bonds with fixed maturity that the Investment Company intends, and is obliged as a collateral manager, to hold to maturity are classified as held-to-maturity bonds, if they fulfil the criterias of possession for enforcement of contractual conditions and that the cash flows solely consist of principal instalments and interests. Bonds classified as held-to-maturity are measured at amortised cost. Amortisation premiums or allowances are recognised in profit or loss under the effective interest method.

Notes

2. Significant judgements and estimates, assumptions and uncertainties

The financial statements are prepared based on specific assumptions which involve the use of judgements and estimates. These judgements and estimates are made by the Investment Company's Management in accordance with the accounting policies and based on historical experience as well as assumptions which Management considers reasonable and realistic. The areas involving a higher level of judgement or complexity or areas in which assumptions and estimates are material to the financial statements, are disclosed below.

- Bonds involving estimation of fair values. The Investment Company's bond portfolio has been recognised at T.DKK 36.966 in the financial statements (2017: T.DKK 5.287). Management considers the book values consistent with fair values at 31.12.2018. Determining credit impairment and calculating individual and collective impairment losses regarding the loans underlying the bonds issued are subject to significant judgement and estimation in connection with the quantification of the risk of debtors' inability to honour their future obligations in whole or in part, as a result of which the bond series will sustain losses. Whether or not the ability to pay related to underlying loans is likely to deteriorate is subject to uncertainty and highly relies on judgement and estimation. The aim of risk retention portfolios in securitisations is to impose on the CLO manager a share of risk in the structure. Risk retention exposures must not be hedged. The Investment Company has considerable risk retention exposures, for which reason the financial statements of the Investment Company may be expected to be heavily affected should generally serious adverse credit changes take place in the underlying assets of the structures.
- Bonds at amortised cost involving estimation of amortisation premiums or allowances. The Investment Company's bond portfolio has been recognised at T.DKK 380,188 (2017: T.DKK 298,507) in the financial statements.
- Future fees are taken to income when the service has been provided and the income can be measured reliably. Future fees have been recognised at T.DKK 17,776 in the financial statements (2017: T.DKK 17,352).

Determination of fair value

Fair value is the amount at which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction under normal conditions.

The fair value of financial instruments for which an active market exists is determined using the price obtained from a sale at the balance sheet date or, if no such price exists, another published price which may be assumed to be the best equivalent thereto. For financial instruments, for which an active market does not exist, the fair value is determined using generally accepted valuation methods based on observable current market data

Bonds that are gained as a result of issuance of CLOs, where the agreement states that these are limited for trade, must be recognised and measured in accordance with IFRS 9. If these are possessed with the intention of enforcing the contractual conditions, and the resulting cash flows do not solely consist of principal instalments and interests, then they are measured through the income statement. The fair value is computed by discounting the future cash flows.

Notes

3. Capital and solvency	2018 DKK'000	2017 DKK'000
Composition of capital		
Equity	210,447	204,597
Proposed dividend	(10,000)	0
Goodwill	(37,209)	(37,209)
Deferred tax assets	(3)	(676)
Core capital and capital	**163,235**	**166,712**
Credit exposure		
Credit risk	633,400	443,038
Market risk	24,169	31,812
Operational risk	111,307	97,103
Total	**768,876**	**571,953**
Key ratios		
Common equity tier 1 capital ratio	21.2	29.1
Core capital ratio	21.2	29.1
Capital ratio	21.2	29.1

Notes

4. Financial risks, policies and targets for managing financial risks

The Investment Company is exposed to different types of risks. The objective of the Investment Company's risk management policies is to minimise the losses which might occur due to unpredictable changes in, for example, the financial markets.

General

The Investment Company continuously develops its tools to identify and manage the risks affecting it on a daily basis. The Board of Directors lays down the overall framework and principles for risk and capital management and receives regular reporting on developments in risks and use of the defined risk framework. The daily risk management is conducted by the Executive Board.

Credit risks

The Investment Company is exposed to credit risk from its risk retention portfolio with Accunia European CLO I BV, Accunia European CLO II BV and Accunia European CLO III DAC as well as future CLOs for which it serves as risk retention holder. The aim of risk retention portfolios in securitisations is to impose on the CLO manager a share of risk in the structure. Risk retention exposures account for at least 5% of all CLO notes issued. The exposures must not be hedged, and the entire risk retention concept is governed by Regulation 575/2013 (the CRR Regulation).
The Investment Company has considerable risk retention exposures, and it may therefore be expected to be heavily adversely affected should generally serious adverse credit changes take place in the underlying assets of the structures.

Market risks

The Investment Company is exposed to two main market risks: The first one being indirectly by the share of customers' asset management fee that is performance-based, and the other one being directly by its investments in interest-bearing claims.
With respect to the latter, it should be mentioned that the Investment Company considers this risk to be marginal compared to its credit risk exposure.

Liquidity risks

The Investment Company's cash resources are secured by maintaining adequate cash and cash equivalents in the form of bank deposits and liquid bonds. The Investment Company issues invoices on a quarterly basis and, in doing so, has cash inflows throughout the year. The same applies to interest payments from its own investments that are distributed on many interest rate forward contracts.

Operational risks

With a view to reducing losses from operational risks, the Investment Company has developed a number of policies, business procedures and control procedures.
Key elements are the policies and busines procedures dealing with the employees' use of the Investment Company's two central portfolio management systems, IT in general, customer data and other sensitive information and emergency plans.

Settlement risks

Being an investment company, the Company is not an account-holding or portfolio-managing institution. Both when investing own funds and when carrying out customer deals, the term of "payment against delivery" is always applied. In connection with particular (unlisted) investments, attorneys are generally used where the funds are deposited on client accounts.

Notes

5. Five-year summary	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Profit and loss					
Net financial income, fees and commission	70,651	71,016	36,742	46,898	64,188
Market value adjustments	(23)	(42)	821	900	2,232
Staff costs and administrative expenses	(48,378)	(45,456)	(40,765)	(36,448)	(42,626)
Profit after tax	20,847	18,868	(2,531)	8,644	17,882
Balance sheet					
Equity	210,447	204,597	49,285	61,814	73,170
Total assets	526,335	408,698	60,278	98,235	99,143
Key ratios					
Capital relative to the minimum capital	3.3	3.3	15.1	13.9	13.4
Capital ratio (%)	21,2	29.1	32.0	21.8	18.7
Core capital ratio (%)	21.2	29.1	32.0	21.8	18.7
Return on equity before tax (%)	10.6	19.3	(5.8)	16.8	31.0
Return on equity after tax (%)	10.1	14.9	(4.6)	12.8	23.3
Profit per unit of costs	1.5	1.5	0.9	1.3	1.6
Return on Investment (%)	4.0	4.6	-4.2	8.8	18.0

Accunia Fondsmæglerselskab A/S has no investments in associates or subsidiaries, for which reason this ratio is not disclosed.

6. Financial income	2018 DKK'000	2017 DKK'000
Receivables from credit institutions and central banks	0	35
Bonds	12,000	6,759
Other financial income	23	10
Total financial income	**12,023**	**6,804**

7. Financial expenses		
Credit institutions and central banks	(143)	(205)
Other financial expenses	(4,658)	(2,735)
Total financial expenses	**(4,801)**	**(2,940)**

Notes

8. Market value adjustments	2018 DKK'000	2017 DKK'000
Bonds	8	62
Currency	(31)	(104)
Total market value adjustments	**(23)**	**(42)**

9. Net financial income, fee income and market value adjustments by geographical markets

The Investment Company has not broken down net interest and fee income by activity and geographical market. No material differences are considered to exist between the Investment Company's activities and geographical areas, for which reason no segment information is provided.

10. Staff costs and administrative expenses

Staff costs	(38,126)	(36,865)
Other administrative expenses	(10,252)	(8,591)
Total staff costs and administrative expenses	**(48,378)**	**(45,456)**

Staff costs

Salaries	(32,660)	(32,011)
Other social security costs	(993)	216
Charges calculated on the basis of number of staff in the payroll	(4,634)	(3,681)
Share-based remuneration	161	(1,389)
Total staff costs	**(38,126)**	**(36,865)**

Average number of employees converted to full-time employees	28	25

Notes

Remuneration of the Executive Board, Board of Directors and staff with significant influence on the risk profile – 2018	Employees DKK'000	Executive Board DKK'000	Board of Directors DKK'000
Contractual remuneration	(5,156)	(2,722)	0
Pension contributions	0	0	0
Total contractual remuneration	(5,156)	(2,722)	0
Variable cash remuneration	(5,687)	(349)	0
Variable share-based remuneration	(200)	(348)	
Total variable remuneration	(5,887)	(697)	0
Total remuneration	**(11,043)**	**(3,419)**	**0**
Number of members/employees	4	1	3

No special incentive programmes exist for the Board of Directors.

Remuneration of the Executive Board, Board of Directors and staff with significant influence on the risk profile – 2017	Employees DKK'000	Executive Board DKK'000	Board of Directors DKK'000
Contractual remuneration	(4,773)	(2,603)	0
Pension contributions	0	0	0
Total contractual remuneration	(4,773)	(2,603)	0
Variable cash remuneration	(250)	0	0
Variable share-based remuneration	0	(68)	
Total variable remuneration	(250)	(2,671)	0
Total remuneration	**(5,023)**	**(2,671)**	**0**
Number of members/employees	4	1	3

No special incentive programmes exist for the Board of Directors.

Once a year the Board of Directors evaluates the Investment Company's remuneration policy and, because of the Investment Company's size, it has decided not to appoint a remuneration committee. The remuneration policy is evident from the website www.accunia.com.

A bonus agreement has been set up with the Chief Executive Officer, under which any bonus earned may be granted through share options, deferred shares and shares. The termination benefit amounts to 12 months' salary should the Executive Board be terminated by the Board of Directors. In the event of termination of the employment, the term of notice on the part of the Investment Company is 12 months and it is 6 months on the part of the Chief Executive Officer.

Notes

Audit fee	2018 DKK'000	2017 DKK'000
Statutory audit of the financial statements	250	200
Other assurance engagements	74	64
Tax advisory	16	24
Other costs	50	44
Total fee to the audit firm elected by the Annual Generel Meeting to carry out the statutory audit	**390**	**332**

11. Income tax

Current tax	(4,910)	(5,472)
Change in deferred tax	(1)	6
Adjustments for previous years	3,744	(167)
Tax on profit/loss for the year	**(1,167)**	**(5,633)**

The current income tax for the financial year is computed on the basis of a tax rate of 22% for Danish enterprises (2017: 22%).

Effektive tax rate (%)	**22.3**	**23.0**

12. Receivables from credit institutions and central banks according to maturity

Request		
Up to and including 3 months	21,411	29,105
Total	**21,411**	**29,105**

13. Bonds

Treasury bonds	758	772
CLO	2,244	2,059
Risk Retention – CLO	33,888	0
Other bonds	76	2,456
Total bonds at fair value	**36,966**	**5,287**

Bonds at amortised cost	380,188	298,507
Total bonds at amortised cost	**380,188**	**298,507**

Of which, subordinated notes (equity tranche)	33,888	34,610

Notes

14. Other assets

	2018 DKK'000	2017 DKK'000
Trade receivables	34,070	32,074
Receivables from subsidiaries	0	0
Security deposit	672	654
Total	**34,742**	**32,728**

15. Debt to credit institutions and central banks according to maturity

Request		
Up to and including 3 months	0	4
Total	**0**	**4**

16. Other liabilities

Debt to associates	428	106
Retention loan CLO I *)	87,902	87,647
Retention loan CLO II **)	99,473	99,453
Retention loan CLO II ***)	108,956	0
Provisions for staff costs	15,812	14,414
Creditors	2,423	1,668
Other liabilities	894	809
Total other liabilities	**315,888**	**204,097**

*) The loan will be repaid no later than 15 July 2029
**) The loan will be repaid no later than 15 October 2030
***) The loan will be repaid no later than 20 January 2031

17. Share capital

Number of shares, 1,000 in denominations of DKK 1	12,980	12,980

The shares have not been divided into classes.

The share capital consists of 8,000,000 shares at DKK 1 each or multiples thereof.

The shares have not been divided into classes.

Share capital on formation, 06.05.2008	5,000	5,000
Issue of bonus shares, 21.12.2011	3,000	3,000
Merger with Accunia Credit Management Fondsmæglerselskab A/S 27.02.2017	4,980	4,980
Share capital at 31.12.	**12,980**	**12,980**

Notes

18. Contingent liabilities	2018 DKK'000	2017 DKK'000
Warranty to the Danish Deposit Guarantee Fund	238	315
The Investment Company has entered into a lease on office premises which includes an obligation of refurbishment in the event of termination and vacation	300	300

As part of raising the loan to partially fund the risk retention exposure related to Accunia European CLO I B.V., the Investment Company has provided its risk retention portfolio of Accunia European CLO I Class A Notes (EUR 11,888,000 nominal) and portions of the portfolio of Accunia European CLO I Class B Notes (EUR 262,000 nominal) as security for the loan.

As part of raising the loan to partially fund the risk retention exposure related to Accunia European CLO II B.V., the Investment Company has provided its risk retention portfolio of Accunia European CLO II Class A Notes (EUR 11,200,000 nominal), its portfolio of Accunia European CLO II Class B-1 Note s (EUR 2,000,000 nominal) and portions of the portfolio of Accunia European CLO II Class B-2 Notes (EUR 200,000 nominal) as security for the loan.

Subsidiary

The Invement Company participates in a Danish joint taxation arrangement with Accunia A/S serving as the administration company and that company's other subsidiaries. The current Danish income tax is allocated among the jointly taxed Danish companies proportionally to their taxable income. Each company in the joint taxation arrangement is liable for the portion of income taxes, tax prepayments and residual taxes, including surcharges and interest, related to the portion of income allocated to the company. When using losses sustained by group companies, the administration company is obliged to pay the tax-based value of the loss to the company having sustained such loss. The group companies using the losses are obliged to pay the administration company an amount equivalent to the tax-based value of the loss used. When receiving payment for the losses used, liability will fall to the administration company. There are no income taxes payable by the joint taxation unit at 31.12.2018.

Accunia Fondsmæglerselskab A/S and its parent company Accunia A/S are jointly registered for VAT. The jointly registered entities are jointly and severally liable for payment of taxes for the respective tax years in which they have been subject to joint registration.

Apart from this, the Investment Company has no assets charged, collateral or similar obligations.

Notes

19. Related parties

All related party transactions have been conducted on an arm's length basis or a cost recovery basis. Accunia Fondsmæglerselskab A/S handles portfolio management, securities trading and related administration for Accunia OY (affiliated company) and acts as investment advisor for alternative investment funds in ACM Forvaltning A/S (affiliated company).

Related parties with controlling influence on the Investment Company:
The Investment Company is 100% owned by Accunia A/S, Store Regnegade 5, 1., 1110 Copenhagen K.

Transactions with related parties during the year
The Investment Company has had the following significant transactions with related parties in the financial year:

Name	Basis of influence	Nature and scope of transactions	**2018** DKK'000	**2017** DKK'000
Peter Aandahl	Chairman of the Board	Payment of asset management fee	146	295
Jørgen Clausen	Member of the Board	Payment of asset management fee	354	378
Carsten K. Gomard	Member of the Board	Payment of asset management fee	437	834
Accunia OY	Affiliated company	Fee for portfolio management etc	2,429	2,798

In addition, the Parent Company Accunia A/S has transactions in the form of taxation (joint taxation) and purchase and sale of bonds. All related party transactions have been conducted on an arm's length basis.

20. Shareholder relations

The Investment Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

- Accunia A/S, Store Regnegade 5, 1., 1110 Copenhagen K, owns all company stock.

21. Consolidation

The Investment Company is included in the consolidated financial statements of Accunia A/S, which is the largest and the smallest group for which consolidated financial statements are prepared.

Notes

22. Transition to IFRS 9

	t.kr.
Bonds at amortised cost 31.12.2017	298.507
Change in accounting policy described in note 1	(38.752)
Bonds at amortised cost 01.01.2018	**259.755**
Bonds at fair value 31.12.2017	5.287
Change in accounting policy described in note 1	38.752
Revaluation of fair value as a result of change in accounting policy	(17.133)
Bonds at fair value 01.01.2018	**26.906**

23. Other accounting policies

Other accounting policies in addition to those described in note 1 are outlined below.

Recognition and measurement

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

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

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

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

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

The purchase and sale of financial instruments are recognised on the trading day, and such recognition ceases when the right to have cash inflow and outflow from the financial asset or liability has expired, or if such right has been transferred, and the Investment Company has transferred substantially all risks and rewards of ownership. The Investment Company does not apply the rules of classification of certain financial assets from fair value to amortised cost.

Notes

Translation of foreign currency

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Staff costs and administrative expenses

Staff costs comprise salaries and wages as well as social security costs etc for the Investment Company's staff. Costs for services and benefits to the employees are recognised when achieved by the employee entitling them to the services and goods.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a nature secondary to the Investment Company's activities.

Income taxes

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

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

When computing the current tax for the year, the tax rates and tax rules in effect at the balance sheet date are used. Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net assets.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. At every balance sheet date, it is assessed whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

Notes

Balance sheet

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Receivables are measured at current value. Payables are measured at amortised cost.

Other assets

Other assets comprise other assets not belonging under other assets. Other assets include revenue not due until after the reporting period, retaining receivable financial income and dividends. On initial recognition, other assets are measured at cost, and subsequently at amortised cost.

Repos

Bonds that have been sold as part of a are kept in the balance sheet as bonds at amortised cos, whilst the received amount is recognised as other liabilities. Returns are recognised in the income statement as financial income or financial expenses.

Prepayments (assets)

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

Provisions

Liabilities, guarantees and other liabilities, which are uncertain in terms of amount or time of settlement, are recognised as provisions when it is probable that the liability will lead to an outflow of the Investment Company's financial resources, and the liability can be measured reliably. The liability is stated at present value of the costs that are necessary to meet the obligation. Liabilities due more than 12 months after the vesting period are discounted.

Other financial liabilities

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

Equity

Treasury shares

Acquisition and selling prices as well as dividend on treasury shares are recognised directly in retained earnings in equity.

Financial highlights

Financial highlights are compiled in accordance to the requirements of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies etc., as well as in accordance with the Recommendations & Ratios of CFA Society Denmark.