

ILLUSTRATION:  
STRÆDET, KØGE, DENMARK



TK DEVELOPMENT A/S | CVR NO. 24256782

# ANNUAL REPORT 2014/15

(1 February 2014 - 31 January 2015)



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## SUMMARY

## RESULTS FOR 2014/15

- In 2014/15 TK Development recorded results of DKK 36.7 million<sup>\*)</sup> before tax, excluding discontinuing activities, against DKK 3.9 million<sup>\*)</sup> in 2013/14. The results for the year are in line with expectations.
- The Group's total results after tax amounted to DKK -37.7 million against DKK -49.0 million in 2013/14.
- The balance sheet total amounted to DKK 2,845.2 million at 31 January 2015 against DKK 3,347.1 million at 31 January 2014. Consolidated equity totalled DKK 1,509.4 million versus DKK 1,553.7 million at 31 January 2014, corresponding to a solvency ratio of 53.1 % (31 January 2014: 46.4 %).
- The cash flows for the year amounted to DKK 17.4 million against DKK 0.4 million the year before. Net interest-bearing debt amounted to DKK 1,000.4 million at 31 January 2015 against DKK 1,435.1 million at 31 January 2014.
- With effect from 1 February 2014, the Group implemented IFRS 11, Joint Arrangements, which resulted in changes to the Group's accounting policies. The Group's partly owned enterprises that are jointly controlled with other parties, and which were previously included in the consolidated financial statements by pro-rata consolidation, must be recognized according to the equity method after the implementation of IFRS 11. The amendment affects a great number of items in the income statement, assets, equity and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

## PROPERTY DEVELOPMENT

The following plots of land were sold in the 2014/15 financial year:

- TK Development previously owned an attractively located project area of about 37,000 m<sup>2</sup> at Teglholmen in Copenhagen. This project area was sold at a profit to private investors in 2014/15.
- In 2014/15 TK Development entered into an agreement to sell a building lot of 13,000 m<sup>2</sup> at Amerika Plads, Copenhagen, to A.P. Møller - Mærsk A/S. The selling price amounts to DKK 97.5 million, and TK Development's ownership interest is 50 %. The handover to A.P. Møller - Mærsk A/S is expected to take place in mid-2015, and the profit on the sale will thus

Alfa Laval, office building, Aalborg, Denmark



impact TK Development's results in 2015/16.

In addition, the following development projects have been sold and initiated:

- In Barkarby in the northwestern part of Stockholm, TK Development has developed a 20,000 m<sup>2</sup> retail park. The retail park has been sold on a forward-funding basis and handed over to a fund managed by Cordea Savills. The retail park premises have been let to such tenants as XXL (sports store), Clas Ohlson, Intersport, Toys"R"Us, Burger King, Piza Hut and the fitness chain Nordic Wellness. Construction began in August 2013 and was completed in January 2015. The project was handed over to the investor in January 2015, thus impacting results positively in 2014/15.
- TK Development previously owned a property of almost 3,000 m<sup>2</sup> at Vasevej in Birkerød, rented by SuperBest. This property was sold and handed over to a private property company in 2014/15, and the selling price corresponds to the carrying amount. Moreover, a number of minor projects have been sold, including several superstores in Denmark.
- TK Development has entered into cooperation with AP Pension regarding the development of about 12,500 m<sup>2</sup> at Amerika Plads, lot C, primarily for residential use. In 2014/15 the building site was handed over to a newly established, jointly owned company, in which AP Pension has a 50 % ownership interest. Udviklingselskabet By & Havn I/S and TK Development own the remaining 50 % in equal shares. TK Development's share of profit on the sale of this building site was recognized in 2014/15. The aim is to build about 120 high-quality apartments for sale to private owners. Construction is scheduled to start in mid-2015. The profits anticipated on the development, construction and sale of the project will be recognized upon handover of the apartments

<sup>\*)</sup> Adjusted for tax withheld from "Income from investments in joint ventures".

to the respective buyers, expected to take place from the beginning of 2017.

- In Esbjerg, Denmark, TK Development owns a plot earmarked for the construction of a new shopping centre, BROEN, of about 29,800 m<sup>2</sup>. Having received good backing from future tenants, the Group has concluded lease agreements for more than 60 % of the premises. A building permit has been granted for the project, but before construction can start, the project must undergo a validation and approval procedure to ensure safe railway operations, etc. (CSM approval). Several delays in the validation process have postponed project startup. The validation report is now expected to be available in spring 2015, with construction to start immediately afterwards. After the reporting date, TK Development has concluded a conditional agreement with CapMan Real Estate, which will join the project at its current stage, with a 65 % ownership interest, and thus participate in completing its development. The agreement is subject to the condition that the CSM approval is obtained.
- TK Development is working on the second phase of the Bielany residential project in Warsaw, Poland, which consists of 297 residential units and service facilities. 49 % of the units have been sold in advance. Construction is progressing as planned, and handover to the buyers is scheduled for spring 2016. The residential units are being sold as owner-occupied apartments to private users.
- In Jelenia Góra in Poland, TK Development is developing a shopping centre of about 24,400 m<sup>2</sup>. The project is being executed as a joint venture with Heitman, in which the Group has an ownership interest of 30 %. Lease agreements for about 61 % of the premises have been signed. Construction started in May 2014, and the opening is scheduled for autumn 2015. TK Development receives fee income from the jointly owned company for developing, letting and managing the construction of the project.
- In 2014/15 TK Development conditionally sold a 6,000 m<sup>2</sup> office project in Aalborg, Denmark. The project is being developed for the international Alfa Laval Group, which has entered into a long-term lease for the property. The project has been sold to PensionDanmark at a total price of DKK 126.1 million. Construction began in March 2014, and the project will be handed over to the investor in June 2015. Earnings from the sale will be recognized in 2015/16 upon handover of the project to the investor.

- TK Development is developing a project in Køge, Strædet, of about 34,300 m<sup>2</sup>, excluding parking facilities. The project is being built immediately next to Køge Station and the town centre shopping area. The total project, to be executed in three phases, will comprise a retail project of about 19,000 m<sup>2</sup>; public service facilities of about 9,000 m<sup>2</sup>, including a town hall and rehabilitation centre; and residential premises of about 6,300 m<sup>2</sup>. In addition, the project will comprise parking facilities of about 13,000 m<sup>2</sup>. The retail project, complete with the parking facilities of about 13,000 m<sup>2</sup>, has been sold conditionally to the Finnish company Citycon based on a 6.25 % return. This sale is expected to impact results positively in the 2017/18 financial year upon handover of the completed project to Citycon. In addition, an agreement has been made with Køge Municipality regarding its takeover of building rights for both the town hall and rehabilitation centre. Construction of the first phase was initiated in March 2015.

- The Group's project portfolio in the property development segment comprised 351,000 m<sup>2</sup> at 31 January 2015 (31 January 2014: 405,000 m<sup>2</sup>).

### ASSET MANAGEMENT

- Management has previously announced its aim to sell one or more major completed projects, as such sales could contribute significantly to the Group's free cash resources, reduce its balance sheet total and reinforce solvency.
- TK Development has sold its 75 % stake in the Fashion Arena Outlet Center in Prague, the Czech Republic. The outlet centre has been sold to Meyer Bergman, and the selling price for the whole centre amounts to EUR 71.5 million. This sale has generated a profit compared to the carrying amount.
- In addition, TK Development has sold its 20 % stake in the Futurum Hradec Králové shopping centre in the Czech Republic, also to Meyer Bergman. The selling price for the entire centre, including the hypermarket section, which TK Development has acquired together with the other owners, GE Capital and Heitman, for about EUR 12 million as part of the deal, amounts to EUR 87.6 million, which is on a par with the carrying amount.
- In 2014/15 TK Development made a DKK 44.5 million writedown for impairment of the Group's Sillebroen shopping centre in Frederikssund. The shopping centre was written down because Management has decided to change the let-



## SUMMARY

ting concept, including to introduce alternative concepts, and thus expects the net rent potential to be lower than previously estimated.

- Following these sales, the total portfolio of properties that are under asset management and thus generate cash flow comprised 85,200 m<sup>2</sup> and amounted to DKK 1,256.1 million at 31 January 2015, including joint venture projects, compared to DKK 1,934.2 million at 31 January 2014. The portfolio reduction of DKK 678.1 million is primarily attributable to the sales completed.
- The annual net rent from the current leases in the total portfolio corresponds to a return on the carrying amount of 4.4 %. This figure reflects a large spread in the returns on individual centres, as particularly local tenants are recording difficulties. Based on full occupancy, the return on the carrying amount is expected to reach 6.7 %. The current letting situation is affected by vacancies, short-term rent discount agreements and improvement initiatives that have not yet materialized.

### DISCONTINUING ACTIVITIES

- TK Development's activities in Germany, Finland, the Baltic States and Russia are being phased out.
- The results before tax of the discontinuing activities amounted to DKK -54.1 million in 2014/15 against DKK -38.9 million in 2013/14, of which DKK -17.3 million derives from current operations, DKK -14.6 million from losses recognized on completed sales, and DKK -22.2 million from impairment losses on the remaining assets.
- Management accords strict priority to phasing out those of the Group's activities that are categorized as discontinuing activities, and has chosen to implement sales at a price below the carrying amount. In order to speed up the phase-out, Management has moreover chosen to write down the remaining assets by an amount of DKK 22.2 million.
- Since 31 January 2014 the balance sheet total for the discontinuing activities has been reduced by 32 %, amounting to DKK 250.3 million at 31 January 2015. The reduction relates mainly to the handover of the first phase of the DomusPro Retail Park project in Vilnius, which has been sold in advance to the investor, and the sale of a German investment property.

- The Group had the following discontinuing activities at 31 January 2015:
  - In Germany: an investment property and two minor plots of land.
  - In Finland: a minor plot of land.
  - In the Baltic States: a retail park project, see below, and two plots of land.
  - In Russia: a minor project for letting.
- TK Development's DomusPro Retail Park project in Vilnius, Lithuania, has been conditionally sold to BPT Baltic Opportunity Fund, which is managed by BPT Asset Management. The selling price is based on a return requirement of 8.5 %. The retail park is being built in phases. The first phase of about 7,500 m<sup>2</sup> was completed in March 2014 and handed over to the investor in the first quarter of 2014/15. The second phase of the project of about 3,800 m<sup>2</sup> has been fully let, and construction started at the beginning of 2015.
- The timing and phase-out of the discontinuing activities are subject to uncertainty. The phase-out is progressing, and the risk exists that these activities may be phased out at a value lower than their carrying amount.

### MARKET CONDITIONS

- It is Management's general assessment that the Group's markets are showing signs of recovery. There is a general sense of optimism in the property markets, with better opportunities than before for financing the purchase of real property and a fair amount of investor interest. The historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors.
- In Management's opinion, the determining variables in property development – land prices, construction costs, rental rates and selling prices – have once more reached a level enabling projects to be executed at a satisfactory profit.
- The Group's markets are characterized by expectations for moderate to respectable growth and a moderate rise in private consumption, although varying in strength from country to country. Climbing Internet sales are expected to intensify competition in the retail trade sector in the years to come.
- TK Development has the competencies to execute large and complex development projects – retail, office, residen-

tial and mixed – and will continue to prioritize such projects. At the same time, TK Development will focus on executing more small-scale projects with a fairly short completion time on which the Group can generate reasonable earnings without tying up a large amount of capital for a prolonged period. Such projects will typically be combined residential and retail projects. Management expects residential projects to account for a larger share of the Group's portfolio in future because the Group wishes to exploit the attractive project opportunities within the residential segment.

### FINANCIAL ISSUES

- In 2014/15 TK Development sold its 75 % stake in the Fashion Arena Outlet Center in Prague and its 20 % stake in the Futurum Hradec Králové shopping centre, also in the Czech Republic. In addition, TK Development has completed a number of other sales. Overall, these sales mean that the Group has considerably reduced its interest-bearing debt, while substantially strengthening its financial platform.
- Net interest-bearing debt amounted to DKK 1,000.4 million at 31 January 2015 against DKK 1,435.1 million at 31 January 2014.
- At 31 January 2015 project credit facilities of DKK 0.5 billion were due to expire prior to the end of January 2016. These credits have largely been extended after the reporting date.

- TK Development has a general agreement with the Group's main banker about operating and project credits. The agreement is usually renegotiated once a year and runs until 1 May 2015. After the reporting date, the agreement was extended until 1 May 2016.

### OUTLOOK FOR 2015/16

- Management anticipates positive results of about DKK 40 million before tax, excluding discontinuing activities, for the 2015/16 financial year.
- The timing and phase-out of the discontinuing activities are subject to major uncertainty. The activities are in the process of being discontinued, and the Group risks incurring further losses before the phase-out is complete. Therefore, the results before tax of the discontinuing activities have not been included in the outlook for 2015/16.

**The expectations mentioned in this Annual Report, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Various factors may impact on expectations, as outlined in the section "Risk issues", particularly the valuation of the Group's project portfolio, as described under "Business risks" and "Risks related to the presentation of financial statements".**

#### Strædet, Køge, Denmark



## CONSOLIDATED FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKKm 2010/11 2011/12 2012/13 2013/14 2014/15

### FINANCIAL HIGHLIGHTS

Net revenue	531.2	309.2	567.6	330.7	<b>854.7</b>
Value adjustment of investment properties, net	1.3	0.5	-13.5	-9.5	<b>-3.5</b>
Gross profit/loss	165.9	119.3	-129.7	102.5	<b>93.3</b>
Operating profit/loss (EBIT)	37.5	-10.4	-230.6	10.7	<b>12.3</b>
Income from investments in joint ventures	70.9	54.7	-32.5	37.5	<b>30.1</b>
Financing, etc.	-39.0	-65.1	-71.8	-86.9	<b>-57.9</b>
Profit/loss before tax and writedowns, etc.	43.6	-3.9	-6.8	-36.6	<b>42.1</b>
Profit/loss before tax	69.6	11.6	-332.5	-42.8	<b>-25.2</b>
<b>Profit/loss for the year</b>	<b>73.6</b>	<b>27.0</b>	<b>-493.3</b>	<b>-49.0</b>	<b>-37.7</b>
<b>Profit/loss for the year before tax, forward-looking strategy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.9</b>	<b>36.7</b>
Comprehensive income for the year	71.7	6.7	-487.6	-55.5	<b>-44.4</b>
Balance sheet total	4,188.4	4,182.9	3,509.3	3,347.1	<b>2,845.2</b>
Other fixtures and fittings, tools and equipment	6.8	4.7	2.5	1.3	<b>1.0</b>
Investment properties	197.6	197.6	167.3	103.2	<b>78.1</b>
Total project portfolio	2,775.0	2,830.0	2,394.7	2,334.6	<b>2,121.7</b>
<b>Equity</b>	<b>1,866.0</b>	<b>1,876.4</b>	<b>1,389.7</b>	<b>1,553.7</b>	<b>1,509.4</b>
Cash flows for the year	2.8	-24.3	-29.7	0.4	<b>17.4</b>
Net interest-bearing debt, end of year	1,740.6	1,737.7	1,659.7	1,435.1	<b>1,000.4</b>

### KEY RATIOS

Return on equity (ROE)	4.3 %	1.4 %	-30.2 %	-3.4 %	<b>-2.5 %</b>
EBIT margin	7.1	-3.4	-40.6	3.2	<b>1.4</b>
Solvency ratio (based on equity)	44.6 %	44.9 %	39.6 %	46.4 %	<b>53.1 %</b>
Equity value in DKK per share	32.0	32.2	23.9	15.8	<b>15.4</b>
Price/book value (P/BV)	0.5	0.3	0.4	0.4	<b>0.6</b>
Number of shares, end of year	42,065,715	42,065,715	42,065,715	98,153,335	<b>98,153,335</b>
Average numbers of shares, adjusted	35,095,222	42,065,715	42,065,715	74,870,019	<b>98,153,335</b>
Earnings per share (EPS) in DKK	1.5	0.5	-8.5	-0.7	<b>-0.4</b>
Dividend in DKK per share	0	0	0	0	<b>0</b>
Listed price in DKK per share	16	10	9	7	<b>9</b>

### KEY RATIOS ADJUSTED FOR WARRANTS

Return on equity (ROE)	4.3 %	1.4 %	-30.2 %	-3.4 %	<b>-2.5 %</b>
Solvency ratio (based on equity)	44.6 %	44.9 %	39.6 %	46.4 %	<b>53.1 %</b>
Equity value in DKK per share	32.0	32.2	23.9	15.8	<b>15.4</b>
Diluted earnings per share (EPS-D) in DKK	1.5	0.5	-8.5	-0.7	<b>-0.4</b>

The calculation of key ratios was based on the 2010 guidelines issued by the Danish Society of Financial Analysts.

The comparative figures have been corrected to show the effect of the implementation of IFRS 11, Joint Arrangements and IAS 32, Financial Instruments (offsetting financial assets and liabilities).



## RESULTS FOR 2014/15 AND OUTLOOK FOR 2015/16

In 2014/15 TK Development recorded results of DKK 36.7 million\*\*\*) before tax, excluding discontinuing activities, against DKK 3.9 million in 2013/14. The results for the year are in line with expectations.

The calculation of results before tax, excluding discontinuing activities, includes an adjustment for the tax withheld from "Income from investments in joint ventures", as this income was calculated after tax. The tax amounts to DKK 7.8 million.

The Group's total results after tax amounted to DKK -37.7 million against DKK -49.0 million in 2013/14.

The balance sheet total amounted to DKK 2,845.2 million at 31 January 2015 against DKK 3,347.1 million at 31 January 2014. Consolidated equity totalled DKK 1,509.4 million versus DKK

1,553.7 million at 31 January 2014, corresponding to a solvency ratio of 53.1 % (31 January 2014: 46.4 %).

The results for 2014/15 and the balance sheet at 31 January 2015, broken down by business segment, appear from the tables below.

The activities within each individual business segment are described in more detail on pages 26-36.

■ The property development segment is described on pages 26-30. The description includes information about the development potential of TK Development's project portfolio, including an outline of the individual development projects.

### RESULTS 2014/15 (DKKM)

Profit/loss	2014/15	Property development	Asset management	Discontinuing	Unallocated
Revenue	854.7	701.9	63.5	89.3	-
Gross profit/loss	93.3	128.6	3.4	-38.7	-
Costs, excl. depreciation and amortization	80.4	-	-	3.0	77.4
Operating profit/loss	12.3	128.6	3.4	-41.7	-78.0
Income from investments in joint ventures*)	30.1	11.6	26.3	-	-7.8
Financing, net	-57.9	-3.4	-42.6	-2.1	-9.8
Profit/loss before tax**)	-25.2	137.3	-12.8	-54.1	-95.6
Tax on profit/loss for the year	12.5				
<b>Profit/loss for the year</b>	<b>-37.7</b>				

\*) Income from investments in joint ventures has been calculated after tax in accordance with IFRS. To ensure a correct breakdown by segment and meaningful results before tax relative to the Group's earnings expectations for 2014/15, which were calculated before tax and before results of discontinuing activities, the tax on results of joint ventures has been included in the column "Unallocated".

\*\*\*) The results of DKK 36.7 million before tax, excluding discontinuing activities, have been calculated as pre-tax results of DKK -25.2 million adjusted for losses on discontinuing activities of DKK 54.1 million and tax on the results of joint ventures of DKK 7.8 million.

### BALANCE SHEET STRUCTURE AT 31 JAN 2015 (DKKM)

Balance sheet	31 Jan 2015	Property development	Asset management	Discontinuing	Unallocated
<b>Assets</b>					
Investment properties	78.1	-	-	78.1	-
Investments in joint ventures	171.9	105.7	66.2	-	-
Non-current receivables	128.9	61.5	67.4	-	-
Other non-current assets	166.4	1.9	1.4	14.1	149.0
Projects in progress or completed	2,121.7	886.3	1,082.1	153.3	-
Current receivables	104.7	80.1	19.7	4.8	0.1
Cash, cash equivalents, escrow accounts, etc.	73.5	36.6	13.1	-	23.8
<b>Assets</b>	<b>2,845.2</b>	<b>1,172.1</b>	<b>1,249.9</b>	<b>250.3</b>	<b>172.9</b>
<b>Equity and liabilities</b>					
<b>Equity</b>	<b>1,509.4</b>	<b>812.3</b>	<b>405.0</b>	<b>198.1</b>	<b>94.0</b>
Credit institutions	1,195.3	288.9	815.7	38.0	52.7
Other liabilities	140.5	70.9	29.2	14.2	26.2
<b>Equity and liabilities</b>	<b>2,845.2</b>	<b>1,172.1</b>	<b>1,249.9</b>	<b>250.3</b>	<b>172.9</b>
<b>Solvency ratio</b>	<b>53.1 %</b>	<b>69.3 %</b>	<b>32.4 %</b>	<b>79.1 %</b>	<b>54.4 %</b>



- The asset management segment is described on pages 31-34. The description contains information about TK Development's own properties under asset management, including an outline of the operation and customer influx for the individual projects.
- The discontinuing activities are described on pages 35-36, which provides more details about TK Development's properties and projects in the countries where Management has decided to phase out activities.

Therefore, the financial review below contains a description of the results and balance sheet total at group level only.

### ACCOUNTING POLICIES

The 2014/15 consolidated financial statements and parent financial statements for TK Development A/S have been presented in compliance with the International Financial Reporting Standards, as adopted by the EU, and in accordance with Danish disclosure requirements for listed companies.

The consolidated financial statements and parent financial statements for 2014/15 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2014.

The consolidated financial statements and the parent financial statements are presented in DKK, which is the presentation currency for the Group's activities and the functional currency of the Parent Company.

With effect from 1 February 2014, the Group implemented a number of new and amended financial reporting standards and IFRIC interpretations. The implementation of these standards and interpretations has impacted neither earnings per share nor diluted earnings per share.

The clarification in IAS 32, Financial Instruments, regarding the offsetting of financial assets and financial liabilities has resulted in a restatement of the comparative figures in the five-year summary, as the previous offsetting practice does not meet the more specifically defined criteria for offsetting.

The implementation of IFRS 11, Joint Arrangements, has resulted in changes to the Group's accounting policies. The comparative figures have been restated accordingly. Therefore, the consolidated financial statements also present a statement

of financial position (balance sheet) as at the beginning of the comparative year in accordance with the requirements of IAS 1.

The effects of implementing IFRS 11 are outlined below. In accordance with the provisions regarding the applicability of IFRS 11, the effect on the comparative figures for 2013/14 is shown.

#### Effects of implementing IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. A joint venture is defined as a joint arrangement whereby joint controlling parties ("joint venturers") have rights to the net assets of the arrangement.

The Management of TK Development has reassessed the classification of the Group's investments in joint arrangements in accordance with IFRS 11. In this connection Management concluded that all the partly owned enterprises that are jointly controlled with other parties, and which were previously included in the consolidated financial statements by pro-rata consolidation, were to be classified as joint ventures with effect from 1 February 2014.

The equity method is to be used for recognizing investments in joint ventures, as the option for pro-rata consolidation of such investments was eliminated in connection with the withdrawal of IAS 31. In addition, Management has subjected the investments to an impairment test and has identified no indications of impairment.

The amendment affects a great number of items in the income statement, assets, equity and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

In accordance with the provisions regarding the applicability of IFRS 11, the change from pro-rata consolidation to the equity method in the accounting policies has been implemented with retroactive effect. The carrying amount of the investment at 1 February 2013 was determined at the sum total of the carrying amounts of the assets and liabilities that the Group previously recognized by means of pro-rata consolidation.

The effects on the results for 2013/14 and on the balance sheet at 31 January 2014 appear from note 1 in the Annual Report.

### UNCERTAINTY IN RECOGNITION AND MEASUREMENT

When applying the Group's accounting policies in practice, Management makes a number of accounting estimates and judgments that materially affect the financial statements, particularly as concerns the measurement of the Group's ongoing and completed projects and the Group's deferred tax assets. For a more detailed description, please see note 3 in the Annual Report.

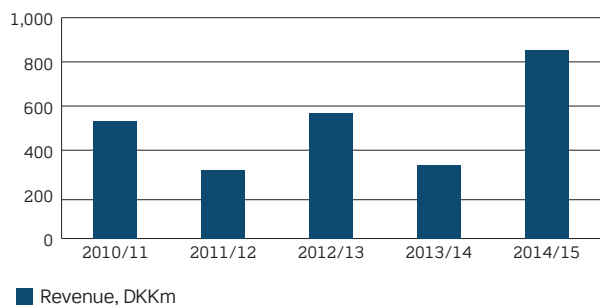
### INCOME STATEMENT

#### Revenue

The revenue for 2014/15 totalled DKK 854.7 million against DKK 330.7 million in 2013/14, equal to an increase of 158 %.

The revenue stems from the sale of projects, rental and fee income, etc.

#### Development in revenue:



#### Gross margin

The gross margin for the 2014/15 financial year amounted to DKK 93.3 million against DKK 102.5 million in 2013/14. The gross margin derives from the operation of the Group's wholly owned completed projects, the operation of the Group's German investment properties, profits on handed-over projects and fee income as well as impairment losses, etc., primarily related to the Group's discontinuing activities. In addition, the gross margin includes a DKK 44.5 million writedown for impairment of the Group's Silkeborg shopping centre in Frederikssund due to the centre's revised letting concept, and thus lower expectations for the net rent potential than before.

#### Handed-over projects

In the 2014/15 financial year TK Development sold a number of projects. The most important sales are described in more detail in the section below "Significant project sales in 2014/15".

Included in the gross margin in Q1:

Profits on the sale and handover of a few superstores in Denmark to private investors.

- Handover of the first phase of the Group's retail park project, DomusPro in Vilnius; see the description under "Discontinuing activities".
- Profit on the sale of the Group's 75 % stake in the Fashion Arena Outlet Center in the Czech Republic to Meyer Bergman (included in the results of joint ventures).

Included in the gross margin in Q2:

- Profit on the sale of about 7,200 m<sup>2</sup> building rights at Østre Teglgade in Copenhagen to a private investor.
- Fee income generated in connection with the startup of the Group's shopping centre project in Jelenia Góra in Poland.
- Loss on the sale of a share of the Group's plot of land in Bytom, Poland, to Decathlon; see the description under "Property development".

Included in the gross margin in Q3:

- Sale of a share (fitness facilities) of the Group's completed property in Brønderslev, which has been handed over to the investor. Management revalued the property in Q3 in connection with entering into the agreement about this partial sale and letting the last rental unit.
- Fee income on several projects.
- The sale of a German investment property on the outskirts of Berlin (sold at the carrying amount).

Included in the gross margin in Q4:

- Profit on the sale of the Group's Swedish retail park Barkarby Gate of about 20,000 m<sup>2</sup> to a fund managed by Cordea Savills.
- Profit on the sale of the Group's remaining building rights for about 30,000 m<sup>2</sup> at Østre Teglgade to a private investor.
- Profit on the sale of building rights at Amerika Plads, lot C, to a joint venture in which AP Pension has a 50 % stake for the purpose of developing a residential project to be sold as owner-occupied apartments to private users.
- Sale of the retail section – let to SuperBest – of the Group's project at Vasevej in Birkerød to a private property company (sold at the carrying amount); see the description under "Property development".
- Sale of the first phase of a retail project at Marsvej to a private investor (sold at the carrying amount); see the de-

scription under "Property development".

- Loss on the sale of a minor plot of land in Finland.
- Loss on the sale of the Group's share of a minor shopping centre in Germany.
- Sale of the Group's 20 % stake in Futurum Hradec Králové in the Czech Republic to Meyer Bergman (included in the results of joint ventures).

#### Staff costs and other external expenses

Staff costs and other external expenses amounted to DKK 80.4 million for 2014/15 against DKK 90.4 million in 2013/14, a reduction of about 11 %.

Staff costs amounted to DKK 56.5 million against DKK 63.8 million the year before, a decline of about 11 %. The number of employees totalled 88 at 31 January 2015 (31 January 2014: 90), including employees working at operational centres.

Other external expenses amounted to DKK 23.9 million, a 10 % reduction compared to 2013/14.

#### Results of joint ventures

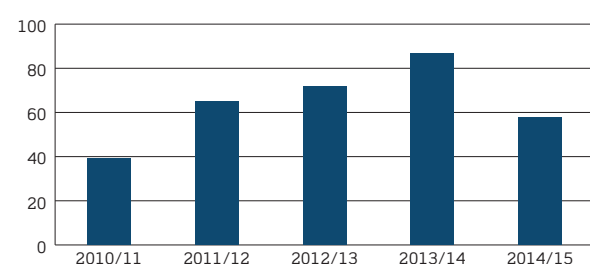
The results of joint ventures amounted to DKK 30.1 million against DKK 37.5 million the year before.

These results include the operation of the Group's partly owned completed projects, the operation and value adjustments of the Group's interests in projects classified as investment properties and profits, etc. on the sale of partly owned projects. Thus, the results include the profit on the sale of the Fashion Arena Outlet Center, Prague, the Czech Republic.

#### Financing

TK Development realized net financing expenses of DKK 57.9 million against DKK 86.9 million in 2013/14. The decline is largely attributable to the interest effect of the capital increase implemented in September 2013, the effect of interest margin reductions obtained on several major credits, and the effect of the sale of several plots of land and the two Czech projects, the Fashion Arena Outlet Center and Futurum Hradec Králové.

#### Development in net financing expenses



■ Net financing expenses, etc., DKKm

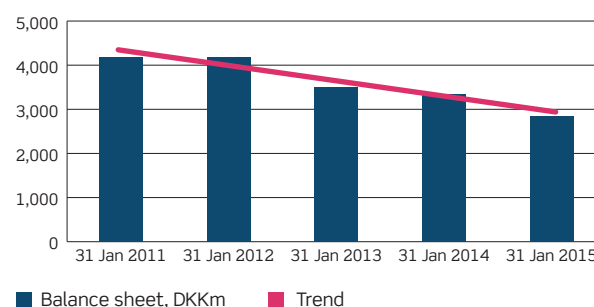
#### Corporate income tax

Tax on the results for the year amounts to DKK 12.5 million, and tax withheld from the results of joint ventures amounts to DKK 7.8 million. Thus, total tax payments for 2014/15 amount to DKK 20.3 million. The effective tax rate should be viewed in light of the fact that the tax asset calculated for the year in respect of discontinuing activities was recognized at DKK 0. In addition, the tax assets in a few of the Group's foreign companies have been written down where the utilization of these tax assets within the next few years is not considered realistic.

#### BALANCE SHEET

The Group's balance sheet total amounted to DKK 2,845.2 million, which is a decline of DKK 501.9 million compared to 31 January 2014.

#### Development in balance sheet total



■ Balance sheet, DKKm ■ Trend

#### Goodwill

Goodwill amounted to DKK 33.3 million and is unchanged compared to 31 January 2014. Goodwill relates to the Group's property development and asset management activities in Poland and the Czech Republic. Based on the impairment test made, Management has found no indications of impairment of goodwill.

#### Investment properties

TK Development's investment properties consisted of only one German investment property at 31 January 2015. The value of this property amounts to DKK 78.1 million compared to DKK 103.2 million at 31 January 2014, at which time the Group still had two German investment properties. The property is described in more detail in the section "Discontinuing activities" below.

#### Investments in joint ventures

The net investment in joint ventures amounted to DKK 171.9 million at 31 January 2015 against DKK 470.5 million at 31 January 2014. The decline is essentially attributable to the sale

of the Group's ownership shares of the two Czech centres, the Fashion Arena Outlet Center and Futurum Hradec Králové.

Following the change to the accounting policies, see above, the projects owned in joint ventures and previously recognized in the consolidated balance sheet by pro-rata consolidation are no longer included in the balance sheet under investment properties, investment properties under construction or projects in progress or completed, but are now presented on a net basis under investments in joint ventures. These projects consisted mainly of the following at 31 January 2015:

#### Development projects:

- Jelenia Góra (previously recognized as an investment property under construction).
- Amerika Plads, underground car park and lots A and C (previously recognized under projects in progress or completed).
- Østre Havn, including Alfa Laval (previously recognized under projects in progress or completed).

#### Asset management projects:

- Galeria Tarnovia, Tarnów (previously recognized as an investment property).
- Ringsted Outlet (previously recognized under projects in progress or completed).

The individual projects owned in joint ventures are described in the project outline in the two sections "Property development" and "Asset management".

#### Deferred tax assets

Deferred tax assets were recorded at DKK 114.7 million in the balance sheet against DKK 121.6 million at 31 January 2014.

The valuation of the tax assets is based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years is based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities.

Due to the substantial uncertainties attaching to these valuations, provisions have been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. A change in the conditions and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being substantially lower than that computed at 31 January 2015, which

could have an adverse effect on the Group's results of operations and financial position.

#### Projects in progress or completed

The total project portfolio came to DKK 2,121.7 million against DKK 2,334.6 million at 31 January 2014. The decline is mainly a combined result of an increase in the Group's portfolio of ongoing projects and a decrease due to the sale of projects, including plots of land.

Total prepayments based on forward-funding agreements amounted to DKK 5.0 million against DKK 59.1 million at 31 January 2014. The decline is attributable to the handover of the Swedish retail project Barkarby Gate, which has been sold to the investor on the basis of forward funding.

The Group's total portfolio of completed projects and investment properties, excluding projects and investment properties in joint ventures, amounted to DKK 1,185 million at 31 January 2015 (31 January 2014: DKK 1,272 million), and the Group's net interest-bearing debt amounted to DKK 1,000 million (31 January 2014: DKK 1,435 million).

With a carrying amount of DKK 2,121.7 million at 31 January 2015, projects in progress and completed projects account for a significant share of the Group's balance sheet total, of which the carrying amount of projects written down to net realizable value amounted to DKK 1,549.0 million at 31 January 2015. Thus, as a large share of the Group's ongoing and completed projects has been written down to the estimated net realizable value, the valuation is subject to uncertainty. If the actual course of an individual project deviates from the expected development, this may necessitate changes to the impairment recognized, which could have a material adverse effect on the Group.

#### Cash and cash equivalents

Cash and cash equivalents amounted to DKK 23.6 million against DKK 6.1 million at 31 January 2014. TK Development's total cash resources, see note 31 in the Annual Report, came to DKK 268.3 million against DKK 56.8 million at 31 January 2014.

#### Equity

The Group's equity came to DKK 1,509.4 million against DKK 1,553.7 million at 31 January 2014.

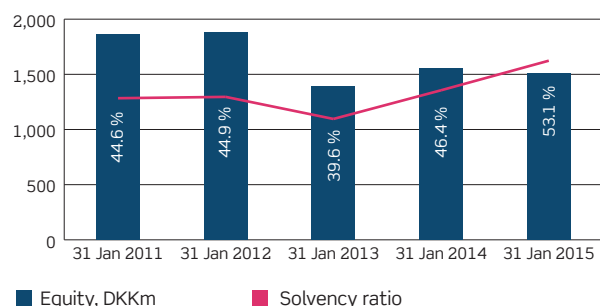
Since 31 January 2014 equity has partly been affected by the results for the period and negative market-value adjustments after tax of DKK 6.7 million related to foreign subsidiaries and



joint ventures as well as hedging instruments.

The solvency ratio amounts to 53.1 %.

## Equity and solvency



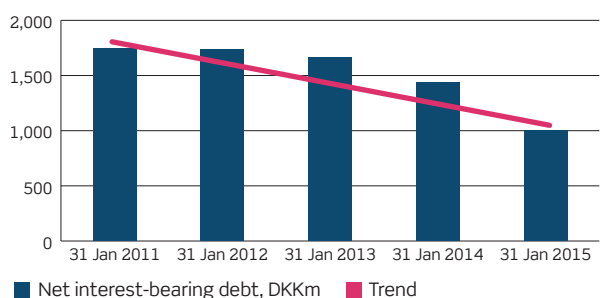
## Non-current liabilities

The Group's non-current liabilities represented DKK 19.8 million against DKK 94.6 million at 31 January 2014. The payables to joint ventures of DKK 20.7 million existing at the beginning of the financial year were settled during the year under review.

## Current liabilities

The Group's current liabilities represented DKK 1,316.0 million against DKK 1,698.8 million at 31 January 2014. The decline is essentially due to the reduction of debt to credit institutions in connection with project sales.

## Development in net interest-bearing debt



## CASH FLOW STATEMENT

The Group's cash flows from operating activities were positive in the amount of DKK 23.6 million (2013/14: negative in the amount of DKK 25.3 million). This amount includes a reduction in funds tied up in projects following project sales, an increase in funds tied up in receivables, lower debt, interest and tax paid, as well as other operating items.

The Group's cash flows from investing activities were positive in the amount of DKK 414.9 million (2013/14: positive in the

amount of DKK 106.8 million), due mainly to the sale of the Group's 75 % stake in the Fashion Arena Outlet Center, Prague, the sale of the Group's 20 % stake in Futurum Hradec Králové, also in the Czech Republic, and the sale of a German investment property.

Cash flows from financing activities were negative in the amount of DKK 421.1 million (2013/14: negative in the amount of DKK 81.1 million). The negative cash flows result from a reduction in payables to credit institutions.

Overall, cash flows for the year are positive in the amount of DKK 17.4 million against DKK 0.4 million in the year before.

## SIGNIFICANT PROJECT SALES IN 2014/15

TK Development handed over of a number of sold projects to investors, with an associated impact on results, in the 2014/15 financial year. The most significant projects handed over are described below.

### Barkarby Gate, retail park, Stockholm, Sweden

In Barkarby in the northwestern part of Stockholm, TK Development has developed a 20,000 m<sup>2</sup> retail park. The retail park has been sold on a forward-funding basis and handed over to a fund managed by Cordea Savills. The current occupancy rate is 96 % (Q3 2014/15: 94 %), and lease agreements have been concluded with various major tenants, including XXL (sports store), Clas Ohlson, Intersport, Toys"R"Us, Lager 157, Grizzly, Kjell & Co., Burger King, Pizza Hut and the fitness chain Nordic Wellness. Construction began in August 2013 and was completed in January 2015. The project was handed over to the investor in January 2015, thus impacting results positively in 2014/15.

### Østre Teglgade, Copenhagen, Denmark

TK Development previously owned an attractively located project area of about 37,000 m<sup>2</sup> at Teglgolmen. This project area was sold at a profit to private investors in 2014/15.

### Fashion Arena Outlet Center, Prague, Czech Republic

In the first quarter of 2014/15, TK Development completed the sale of its 75 % stake in the Fashion Arena Outlet Center in Prague. The outlet centre has been sold to Meyer Bergman, and the selling price for the whole centre amounts to EUR 71.5 million. This sale has generated a profit compared to the carrying amount and made a substantial contribution to the Group's free cash resources. This sale forms part of Management's objective to sell one or more major completed projects.

#### Futurum Hradec Králové, shopping centre, Czech Republic

In the fourth quarter of 2014/15, TK Development – together with GE Capital and Heitman – sold Futurum Hradec Králové in the Czech Republic to Meyer Bergman. TK Development has a 20 % ownership interest in the centre, but receives a performance-driven share of the property value. As part of the deal, TK Development, GE Capital and Heitman bought the hypermarket, which has been let to Tesco, at a price of about EUR 12 million. The selling price for the total centre, including the hypermarket section, amounts to EUR 87.6 million, which is on a par with the carrying amount. This sale is a step towards realizing Management's objective to sell one or more major completed projects, and has made a significant contribution to the Group's free cash resources.

#### EXECUTION OF STRATEGIC GOALS

As previously announced, in March 2013 Management resolved to revise the Group's strategy and business model and adjust its market focus. The goal was to execute these adjustments within a period of two years from the time of making the resolution.

Management is of the opinion that the execution of these adjustments has generally proceeded satisfactorily. The current status in terms of meeting the strategic goals, now that the

two-year strategy period has ended, is outlined below:

- The activities will be limited to Denmark, Sweden, Poland and the Czech Republic.
  - TK Development's activities in Germany, Finland and the Baltic States are being discontinued, and the phase-out has progressed satisfactorily. The goal has not yet been fully attained due to a few outstanding issues.
  - In the Baltic States Management has chosen to keep on a small staff to develop and execute the individual remaining projects in order to retain their maximum value. Project development is proceeding, with the letting, sale and execution of the remaining projects expected to take a couple of years.
  - TK Development previously expected to keep the Group's project in Moscow, Russia, for a medium-long period. However, in light of the current market conditions in Russia, Management now believes that TK Development will have to keep the project for some time yet.
  - In Germany the development of the remaining investment property is taking longer than anticipated. Work is proceeding on a development plan for the property aimed at optimizing and subsequently selling it. Therefore, Management expects the time horizon for disposing of this property to be slightly longer.

Amerika Plads, felt C, Copenhagen, Denmark



## RESULTS FOR 2014/15 AND OUTLOOK FOR 2015/16

- The portfolio of projects not initiated (plots of land) is to be reduced from about DKK 1.1 billion to about DKK 500 million.
  - The portfolio of projects not initiated is reduced through the sale of land and the initiation of projects. This process has progressed satisfactorily and according to plan for many of the projects.
  - The portfolio of unsold projects not initiated has been reduced by about DKK 0.5 billion.
  - The process will be continued so as to reduce the portfolio as much as possible in the years ahead.
  
- The balance sheet is to be adjusted, with a solvency ratio of about 40 %.
  - This target has been met, as the solvency ratio amounted to 53.1 % at 31 January 2015.
  - Although this target has been met, Management will continue to focus on selling assets once the Group has achieved the best balance between selling price and expected future use of resources, based on an assessment of the possibilities for alternative capital use.
  
- Overheads are to be reduced by around 20 % relative to 2012/13, with half of the reduction deriving from the discontinuation of activities in Germany, Finland and the Baltic States.
  - Cost-reducing measures have been implemented, and the full impact was achieved in the 2014/15 financial year.
  
- Financing costs are to be normalized as a result of the initiatives implemented.
  - The interest payable on several major credits has been reduced.
  - Current market conditions are pointing in the direction of declining interest margins, and Management will continuously seek to reduce the Group's financing costs by optimizing loans and renegotiating interest margins.

During the two-year strategy period that has recently ended, Management focused on reducing the balance sheet total, achieving a satisfactory solvency ratio and building a satisfactory financial platform. This has reduced the focus on new project opportunities and means that the volume of new projects generating earnings in the short term is insufficient to enable the Group to record normalized and satisfactory earnings. The initiatives implemented in the past two years have enabled the Group to build an improved basis for focusing more intensely on new project opportunities and future earnings in the Group. As regards the earnings outlook for 2015/16, reference is made to

the description above.

Management attaches great weight to the Group's solvency and aims to maintain a constant minimum solvency level of about 40 %.

### FINANCIAL ISSUES

As described above under "Significant project sales in 2014/15", in the year under review TK Development sold its 75 % stake in the Fashion Arena Outlet Center in Prague and its 20 % stake in the Futurum Hradec Králové shopping centre, also in the Czech Republic. In addition, TK Development has completed a number of other sales. Overall, these sales mean that the Group has considerably reduced its interest-bearing debt, while substantially strengthening its financial platform.

Net interest-bearing debt amounted to DKK 1,000.4 million at 31 January 2015 against DKK 1,435.1 million at 31 January 2014.

Planned projects are initiated once the commercial conditions for starting construction have been met and partial or full financing of the project has been procured, either from credit institutions or from investors in the form of forward funding. Project startup is also contingent on the provision of any equity financing by means of TK Development's own financial resources.

At 31 January 2015 project credit facilities of DKK 0.5 billion were due to expire prior to the end of January 2016. These credits have largely been extended after the reporting date.

TK Development has a general agreement with the Group's main banker about operating and project credits. The agreement is usually renegotiated once a year and runs until 1 May 2015. After the reporting date, the agreement was extended until 1 May 2016.

### PARENT COMPANY, TK DEVELOPMENT A/S

In 2014/15 TK Development A/S, the Parent Company, realized results before tax of DKK -32.4 million against DKK -72.0 million in 2013/14. The results after tax amounted to DKK -49.3 million against DKK -86.8 million the year before.

In addition, the Company's earnings consist mainly of net financing income from loans to subsidiaries. The results also include writedowns made in 2014/15 for impairment of investments in group enterprises in the amount of DKK 100.0 million (2013/2014: DKK 180 million). Accumulated impairment



relating to investments in group enterprises amounted to DKK 1,150.2 million at 31 January 2015 (31 January 2014: DKK 1,050.2 million).

At 31 January 2015, the balance sheet total amounted to DKK 2,028.7 million, a decline of DKK 89.9 million relative to the year before. Equity totalled DKK 1,952.1 million at 31 January 2015, a decline of DKK 49.2 million relative to 31 January 2014.

### OUTLOOK FOR 2015/16

Management anticipates positive results of about DKK 40 million before tax, excluding discontinuing activities, for the 2015/16 financial year.

The timing and phase-out of the discontinuing activities are subject to major uncertainty. The activities are in the process of being discontinued, and the Group risks incurring further losses before the phase-out is complete. Therefore, the results before tax of the discontinuing activities have not been included in the outlook for 2015/16.

**The expectations mentioned in this Annual Report, including earnings expectations, are naturally subject to risks and uncertainties, which may result in deviations from the expected results. Various factors may impact on expectations, as out-**

**lined in the section “Risk issues”, particularly the valuation of the Group’s project portfolio, as described under “Business risks” and “Risks related to the presentation of financial statements”.**

### SUBSEQUENT EVENTS

In relation to the Group’s planned shopping centre project, BROEN, in Esbjerg, after the reporting date TK Development has concluded a conditional agreement with CapMan Real Estate, which will join the project at its current stage, with a 65 % ownership interest, and thus participate in completing its development. The agreement is subject to the condition that CSM approval of the project is obtained.

At 31 January 2015 project credit facilities of DKK 0.5 billion were due to expire prior to the end of January 2016. These credits have largely been extended after the reporting date.

TK Development has a general agreement with the Group’s main banker about operating and project credits. The agreement is usually renegotiated once a year and runs until 1 May 2015. After the reporting date, the agreement was extended until 1 May 2016.

Shopping centre, Jelenia Góra, Poland





Apart from this, no significant events of relevance to the Company have occurred after the reporting date.

#### THE BOARD OF DIRECTORS

The Board of Directors is currently composed of six members. After last year's Annual General Meeting, a meeting was held for the purpose of electing officers, with Niels Roth being elected as the Chairman, and Peter Thorsen being elected as the Deputy Chairman of the Board of Directors. At this year's Annual General Meeting, the Board of Directors will propose that the Board of Directors should remain composed of six members. Per Søndergaard Pedersen will not stand for re-election at the forthcoming Annual General Meeting. The remaining board members are prepared to stand for re-election, and the Board of Directors further proposes that Henrik Heideby be elected to take the vacant seat on the Board.

Henrik Heideby, former Group CEO and President of PFA Pension, now works as a professional board member. Henrik Heideby's core competencies include management in Denmark and internationally, financing, risk management, asset management and retail trade. Henrik Heideby will be considered an independent member of the Board of Directors.

In connection with nominating Henrik Heideby as a candidate for the vacant board seat, the Board of Directors has placed particular emphasis on his broad management experience and financial expertise.

#### DIVIDENDS

The Board of Directors recommends that the Annual General Meeting resolve not to distribute dividends for the 2014/15 financial year.

#### TRANSACTIONS WITH RELATED PARTIES

During the year under review, no significant or unusual transactions were made with related parties.



It is Management's general assessment that the Group's markets are showing signs of recovery. There is a general sense of optimism in property markets, with better opportunities than before for financing the purchase of real property and a fair amount of investor interest. The historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors.

In Management's opinion, the determining variables in property development – land prices, construction costs, rental rates and selling prices – have once more reached a level enabling projects to be executed at a satisfactory profit.

The Group's markets are characterized by expectations for moderate to respectable growth and a moderate rise in private consumption, although varying in strength from country to country. Climbing Internet sales are expected to intensify competition in the retail trade sector in the years to come.

TK Development has the competencies to execute large and complex development projects – retail, office, residential and mixed – and will continue to prioritize such projects. At the same time, TK Development will focus on executing more small-scale projects with a fairly short completion time on which the Group can generate reasonable earnings without tying up a large amount of capital for a prolonged period. Such projects will typically be combined residential and retail projects. Management expects a larger share of the Group's portfolio to consist of residential projects in future because the Group wishes to exploit the attractive project opportunities within the residential segment.

### TENANTS

In the retail property market, tenants continue to focus on location, and the rental level for prime-location projects is expected to remain fairly stable in the period ahead. Vacancy rates for retail premises vary considerably, ranging from low rates for primary locations to relatively high rates for secondary locations. Thus, the retail sector is showing a good amount of interest in well-situated projects, which are attractive to robust national and international branded retailers wishing to expand. However, the interest shown by tenants in secondary locations is slack, and the rental level for such locations is also expected to remain under pressure in the period to come. As concerns shopping centres, the overall picture remains unchanged, viz. that chain stores are managing satisfactorily and that local tenants are generally recording difficulties. Rising consumer confidence in the Group's markets contributes to expectations for growth

in private consumption over the years to come, which will benefit the retail trade sector. However, climbing Internet sales are considered to contribute to fiercer competition in the retail trade sector.

Despite a marginal drop in recent months, vacancy rates in the office property market generally remain relatively high, but with great variations between properties in primary and secondary locations. In the years to come, the vacancy rate is expected to remain at a relatively high level, but with reasonable demand for fairly new premises with a practical layout. The rental level for primary locations is expected to remain relatively stable, while the level for secondary locations will most likely continue to be under pressure.

In the residential property sector, there is a clear trend on all markets: a vast number of people are moving to major towns and cities, thus pushing up demand for new dwellings. Depending on local tradition in the individual market, this trend manifests itself as demand for either new owner-occupied dwellings or new rental dwellings or both. As far as rental housing is concerned, this has led to higher rental levels over a period of time, levels that are expected to be maintained in the period ahead.

### INVESTORS

TK Development has observed growing investor optimism and a good amount of interest in investing in real property, and the historically low interest level has contributed to increasing interest in real property as an asset class, particularly among institutional investors. Many institutional investors wish to increase the share of property investments in their portfolios, being confident that real property will deliver good and competitive returns going forward. Management has observed that investors are also showing interest in projects in major towns outside capital cities, and that they are increasingly seeking to play an active role in project development, thus assuming a higher risk against an anticipated higher return. These opportunities fall in line with the Group's business model, according to which TK Development is interested in entering into partnerships regarding development projects and completed properties in order to improve the allocation of the Company's equity, diversify risks and better utilize the Group's development competencies.

Location is the paramount consideration for retail property investors, and in the case of shopping centres, a good performance record, customer influx and revenue will also be key to making investors feel secure about the investment risk. The

## MARKET CONDITIONS

required rates of return for prime locations are relatively low, while the return requirement is somewhat higher for properties in secondary locations. However, investors tend to be increasingly willing to make investments with a different and slightly higher risk profile than in recent years.

Prime-location office properties with stable tenants are attracting great investor interest, and the return requirement has again become satisfactory. Return requirements are a great deal higher for properties in more secondary locations, although investors are also currently assessed to be willing to assume a slightly higher risk than in the most recent period.

Residential properties are likewise attracting great investor interest. This interest is focused on locations in capitals, major towns and cities, where substantial population growth is presently being recorded. The migration towards major towns and cities is expected to continue in future years as well. Coupled with low return requirements for prime locations, the higher rental level has rekindled the interest in developing residential projects. Potential investors include high-net-worth individuals, local or major property companies, institutional investors and foreign investors.

Population growth in major towns and cities combined with confidence in the future development of the economy also decisively impacts families' interest in buying owner-occupied dwellings, and the price level of such properties has shown a respectable upward trend in the past year. Thus, the market for developing housing for sale to private owner-occupants has once again become interesting.

### FINANCING

Management is of the opinion that it is now possible to obtain project finance again. However, the options for procuring financing vary from project to project, depending on the type, location and status of the properties concerned, including letting and sales. When granting project finance credits, the banks continue to require relatively high borrower equity, but recently these requirements have become less stringent.

### DENMARK

Economic growth is on the rise in Denmark. Consumer confidence is increasing, although consumers continue to take a cautious approach, thus dampening private consumption. There are expectations for moderate growth in the years ahead. In recent years, the unemployment rate has been fairly stable and is expected to decline slightly in the years to come.

Overall, the historically low interest level, real wage increases and the expectations for slightly lower unemployment figures and improved labour market conditions mean that domestic demand is anticipated to pick up in the years to come.

In Management's opinion, there is a general sense of optimism in the Danish property market, with better opportunities than before for financing the purchase of real property and a fair amount of investor interest.

In Denmark TK Development's focus is on three segments – retail, office and residential – based on the wish to exploit the opportunities for developing real property in the office and residential segments to an even greater extent than before.

Investors are showing a good amount of interest in the Group's retail, office and residential projects at attractive locations in major towns and cities. At the same time, investor interest in secondary towns is waning. Location and quality are the two key determinants of investment decisions. The Group can obtain satisfactory selling prices for prime-location properties where the risk of vacancies is relatively limited, while selling prices for properties in secondary locations are under pressure. Foreign investors are showing mounting interest in investing in properties in major towns and cities, with Copenhagen being the preferred location. Institutional investors and other professional investors need options for placing their funds. This paves the way for setting up new project partnerships with these investors with a view to cooperation on project execution.

Particularly in the retail letting market, tenants also focus on the right location. Both supermarket chains and retail chains are still willing to expand if the location is right, although their decision-making processes are protracted. The rental level for primary locations is expected to be fairly stable, whereas the rental level for secondary locations will also remain under pressure in the years ahead.

In the office market, a respectable level of activity and interest in projects in major towns and cities has been recorded. Projects in prime locations, such as those in the Group's waterfront areas, appeal to tenants and investors alike, and the Group expects to create interesting office projects in the years to come. An example of such locations is the Group's site at Stuhls Brygge in Aalborg, where TK Development conditionally sold a 6,000 m<sup>2</sup> office building to PensionDanmark in February 2014, with the premises being let to the international Alfa Laval Group.



## MARKET CONDITIONS

The residential market in Denmark holds wide appeal, particularly in the cities. There is demand for both rental dwellings and owner-occupied dwellings in major towns and cities, which are recording substantial population growth. The rental level for rental housing is currently relatively high and expected to remain stable in the period ahead. Residential rental properties are also attracting great investor interest, and the market for developing and selling housing to private owner-occupants has also become attractive. TK Development is currently working on several residential projects and will continue to do so in the years to come.

Denmark - startup in 1989	2013	2014	2015e	2016e
GDP (% yr./yr.)	-0.5	0.8	1.7	2.1
Private consumption (% yr./yr.)	0.0	0.3	1.7	2.1
Unemployment (%)	7.0	6.6	6.5	6.4

(Source: The European Commission, European Economic Forecast, Winter 2015)

### SWEDEN

The Swedish market continues to benefit from the strong Swedish economy and high purchasing power. The growth rate in 2014 surpassed the 2013 rate, and private consumption is expected to continue expanding and rising in the years to come. Unemployment is expected to decline slightly in the years ahead.

The property market in Sweden is characterized by optimism, good opportunities for procuring project finance at low interest rates and high investor interest.

As in previous years, TK Development will focus on the retail segment in Sweden. Retail chains are interested in attractive rental premises, although tenants' decision-making processes are also protracted in the Swedish market. Retail chains are still expanding, and several new foreign chains have entered the Swedish market.

Project location continues to be the paramount consideration for tenants, and the gap between primary and secondary locations has widened in recent years and continues to do so. The trend is clearly for retail chains to expand in cities, particularly Stockholm and Gothenburg, but also in other major towns in Sweden. Stockholm continues to record high annual population growth. This results in a demand for new retail establishments and retail store extensions, as concerns both retail parks and shopping centres.

Both local and international investors are showing a high level

of interest, particularly in prime locations, and the return requirement, which is fairly low for these projects, is expected to remain stable in the period ahead.

Sweden is still considered to be the most transparent and interesting market in the Nordic region, and given the continued retail expansion, the Swedish market is highly interesting for TK Development. As in previous years, TK Development intends to focus on developing prime-location superstores and shopping centres in major towns and cities, with Stockholm and Gothenburg being the primary areas of interest.

Sweden - startup in 1997	2013	2014	2015e	2016e
GDP (% yr./yr.)	1.3	1.8	2.3	2.6
Private consumption (% yr./yr.)	1.9	2.5	2.6	2.6
Unemployment (%)	8.0	7.8	7.7	7.5

(Source: The European Commission, European Economic Forecast, Winter 2015)

### POLAND

The positive development in the Polish economy from 2013 has continued, with Poland recording a respectable economic growth rate in 2014. Economic activity is characterized by strong domestic demand, which is largely offsetting the negative effects of the geopolitical uncertainty in Russia/Ukraine on the Polish economy.

This favourable trend is anticipated to continue in the years ahead, with respectable growth and declining unemployment rates. Moreover, private consumption is expected to rise, driven by such factors as anticipated real wage increases and lower unemployment, along with an interest rate that is expected to remain low in the years to come. Internet sales currently account for a fairly small percentage of retail sales compared to the Group's other markets, and must therefore be expected to escalate over the years ahead.

In Management's opinion, the geopolitical uncertainty in Russia/Ukraine still entails a risk of failing economic growth, which could lead to more difficult market conditions.

In Poland TK Development focuses on both the retail segment and the residential segment.

Strong national and international retail chains are still looking to expand at a controlled pace, with location being the key focus as in the Group's other markets. Generally, prime-location retail premises in major towns and cities are in high demand. This puts tenants in a position to renegotiate and improve the



## MARKET CONDITIONS

lease terms for secondary-location premises, or even to vacate their premises in such locations, and puts the rental level for secondary locations under pressure.

In the years to come, investors are expected to focus chiefly on major towns and cities, primarily Warsaw, where they are continuing to show reasonable interest in prime-location projects or in projects with development potential. International investors dominate the Polish market.

The exodus to major towns and cities in Poland has pushed up demand for new dwellings and made the residential market in Poland interesting. The market for developing housing for sale to private owner-occupants is particularly interesting, while the market for residential rental property is a less well-known investment option and therefore not yet considered interesting. In the residential segment in Warsaw, the demand for housing is high, and during the financial year TK Development regularly concluded agreements for the sale of apartments in its ongoing residential project in Bielany/Warsaw.

The residential market in Warsaw is driven by stable to slightly rising prices, a low interest level and confidence in sustained economic growth. The total volume of property sales currently exceeds the supply of new housing. In the years to come, TK Development will focus on developing and completing the Group's residential project in Bielany and on executing several minor residential projects, also in Warsaw.

Poland - startup in 1995	2013	2014	2015e	2016e
GDP (% yr./yr.)	1.7	3.3	3.2	3.4
Private consumption (% yr./yr.)	1.0	3.0	3.1	3.2
Unemployment (%)	10.3	9.1	8.8	8.3

(Source: The European Commission, European Economic Forecast, Winter 2015)

### CZECH REPUBLIC

The economy in the Czech Republic underwent a positive development in 2014, once again recording growth after a few years of negative growth and falling private consumption. Moreover, private consumption is expected to grow and expand moderately in the years to come, with an unchanged level of unemployment.

TK Development will also concentrate on the retail segment in the years to come. In Management's opinion, there will be a demand for outlet centres as well as for converting and revitalizing existing centres. TK Development is currently investigating the opportunities for developing a new outlet centre.

Investors are showing a fair amount of interest in investing in real property, particularly in prime-location retail projects for which the prices are showing a slightly increasing trend. International funds focus on major projects, while local investors are showing interest in minor projects.

Czech Republic - startup in 1997	2013	2014	2015e	2016e
GDP (% yr./yr.)	-0.7	2.3	2.5	2.6
Private consumption (% yr./yr.)	0.4	1.4	1.9	2.1
Unemployment (%)	7.0	6.1	6.0	5.9

(Source: The European Commission, European Economic Forecast, Winter 2015)



## BUSINESS CONCEPT AND KNOWLEDGE RESOURCES

### The Group's mission

The overall mission of TK Development is to create added value by developing real property. The Group operates in the property development and services environments, and specializes in being the creative and result-oriented link between tenants and investors.

### Fundamental values

TK Development bases its operations on a number of fundamental values that are the Group's hallmarks. They define the framework for the actions of TK Development's employees and the values that TK Development wants to signal.

- Good business sense
- Being result-oriented
- Innovation and creativity
- Being trustworthy
- Keeping it simple
- Commitment.

### Strategy for business area - Property development

Developing projects from the conceptual phase through to project completion, based on one of several models:

- Sold projects (forward funding/forward purchase).
- Projects with partners.
- On TK Development's own books based on a high degree of confidence in the letting and sales potential.
- Services for third parties.

### Strategy for business area - Asset management

Owning, operating, maturing and optimizing completed projects for a medium-long operating period that matches the potential for adding value.

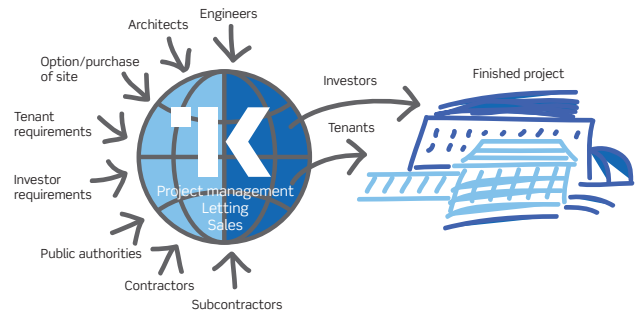
## BUSINESS CONCEPT

The Group's primary business area is the development of real property, termed property development, and the Group's secondary business area is asset management.

## PROPERTY DEVELOPMENT

The Group has a large, strong network forged on the basis of long-standing, close business relationships with tenants and investors, and regularly enters into contracts with these business partners. The Group is predominantly a knowledge-based service provider and has specialized in being the productive and creative liaison between tenants, investors, architects, construction companies and other business partners.

TK Development wants to be the preferred property development partner in the retail segment as well as an attractive business partner within the development of office and residential property projects, with the interaction with customers, tenants and investors being based on know-how and mutual respect.



In collaboration with tenants and investors, TK Development plans and arranges the construction of new buildings, and the expansion and conversion of real property based on tenant needs and investor requirements. The Group develops the projects, which involves letting the premises, managing construction and concluding contracts with construction companies and subcontractors for the execution of the building works.

TK Development has the competencies to execute large and complex development projects and will continue to prioritize such projects. At the same time, TK Development will focus on executing more small-scale projects with a fairly short completion time on which the Group can generate reasonable earnings without tying up a large amount of capital for a prolonged period. Such projects will typically be combined residential and retail projects.

In terms of segments, the Group focuses on the development of shopping centres, superstores, office buildings and corporate headquarters and related mixed and multifunctional projects as well as housing in Poland and Denmark. In light of the continued population growth in major towns and cities, and thus the long-term ongoing need for new dwellings, Management will attach greater priority in future to developing and executing residential projects in major towns and cities, particularly Warsaw and Copenhagen.

In Denmark TK Development's focus in the years to come will therefore be on the retail segment as well as the office and residential segments, based on the wish to exploit the opportunities for developing real property in the office and residential segments to an even greater extent than before. In its foreign markets, the Group will continue basing its activities on the retail segment as the primary segment. Moreover, the Group will focus on developing residential projects in Poland.

## BUSINESS CONCEPT AND KNOWLEDGE RESOURCES

	DK	SE	PL	CZ
Shopping centres	■	■	■	■
Stores/superstores	■	■	■	■
Shopping-street properties	■		■	
Offices	■		■	
Mixed	■	■	■	■
Residential	■		■	

The Group's primary focus is real property development, which may be based on several models:

- For the Group's own account, with or without advance project sales, where the Group can either finance the projects on its own books or procure staged financing from the buyer in step with project completion, also termed forward funding.
- Together with business partners during the construction period.
- Services for third parties.

### Customer relations

The Group's principal customers consist of tenants and investors. TK Development continuously strives to create new, improved services to make the Group an even more attractive business partner.

### Tenants

Over the years, TK Development has built close partnership relations with a large number of companies, including in particular retail chains looking to set up new stores.

The Group has gained in-depth knowledge of tenant needs and requirements. From this platform, TK Development can develop retail solutions that meet tenants' requirements for design and location. In addition, the numerous close relations with a wide range of retail chains mean that the Group is always able to put together an attractive retail mix that boosts individual tenants'

revenue.

Over the years, TK Development has developed and executed a number of office projects, primarily corporate headquarters. Thus the Group has wide experience in developing attractive office projects that match the requirements of tenants and investors alike.

### Investors

TK Development has also built close relations with a number of Danish and foreign property investors.

The Group has in-depth knowledge of investor needs and requirements. Among other things, TK Development offers standardized, international contracts and a smooth process from initiation to delivery.

Over the years, the Group has sold projects to a range of Danish and foreign banks, investment funds, pension funds and private companies.

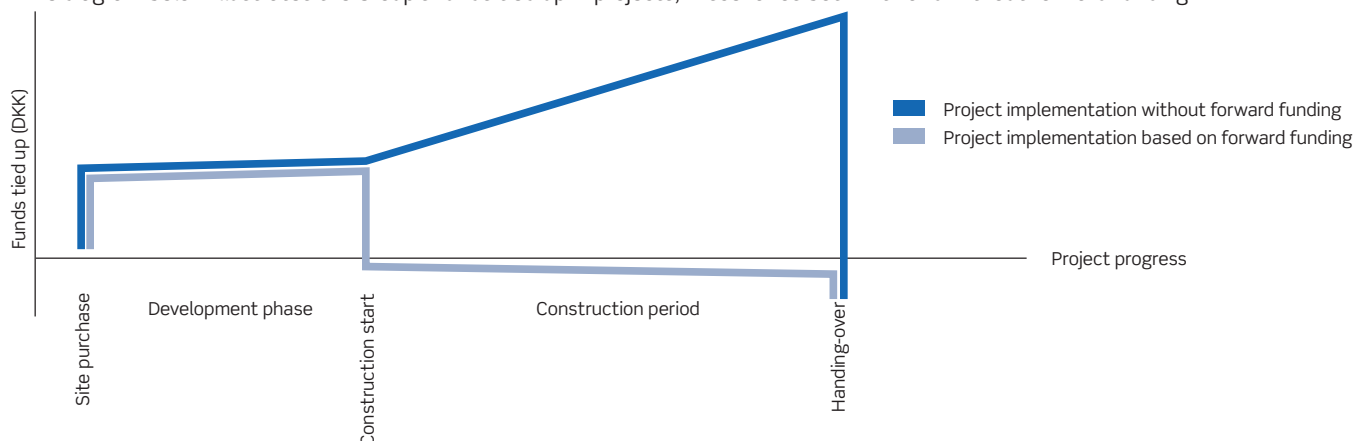
### Project and risk management

New projects are initiated based on a careful assessment of their earnings potential viewed in light of project complexity, completion time, tied-up capital, including balance sheet and cash flow impact, and other use of resources. The assessment includes deliberations about project location, regulatory matters, pre-letting, construction matters and market conditions.

### Limiting risks

A number of management tools contribute to ensuring a satisfactory project process. Construction is typically not initiated until satisfactory pre-construction letting has been achieved for at least 60 % of the project. If the project is sold, construction will not be initiated until the Group anticipates being able to meet such investor requirements as would allow final com-

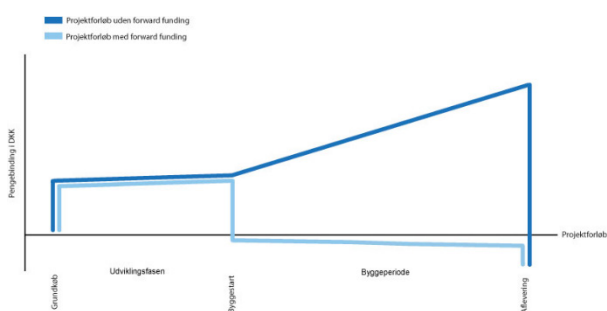
The diagram below illustrates the Group's funds tied up in projects, in scenarios both with and without forward funding.



pletion of the project sale. Meeting these requirements typically falls within the Group's sphere of competencies.

**Forward funding**

TK Development aims to secure the sale of projects at an early stage, and the Group considers it important to expand investor commitment by having the investors fund the project during the construction process (forward funding) where possible. Forward-funding agreements with investors are usually concluded before construction startup, thus ensuring that the funds tied up in the Group's projects are kept at an absolute minimum, which also reduces the balance sheet total and minimizes the risk.



**Green building**

The Group is experiencing increasing demand for green buildings from both tenants and investors. TK Development offers to construct green buildings as and when requested by the Group's customers. Several of the Group's projects have been constructed as green buildings and certified according to the BREEAM standards or equivalent.

**Environment**

TK Development is keenly aware that the public eye is sharply focused on environmental optimization throughout the construction process. Public concerns include the reduction of CO<sub>2</sub> emissions and the sustainability of building projects.

When the Group acquires sites for its projects, the land is examined to determine any contamination. If a plot of land is contaminated, the Group will clean up the land for its intended use before starting construction or refrain from buying the relevant plot.

When developing projects, the Group strives to achieve an optimum balance between environmental and social concerns while also generating revenue for the Group. The choice of materials, design, energy consumption and environmental impact all form part of such considerations.

The Group aims to complete projects without causing unnecessary environmental impact. TK Development cooperates with tenants and investors to establish appropriate environmental solutions when developing and implementing new projects. For instance, the Group seeks to create finished projects with low energy consumption and a good indoor climate that will provide a comfortable working environment for future employees.

**ASSET MANAGEMENT**

Asset management is TK Development's secondary business area. This business area consists of owning, operating, running in, maturing and optimizing completed projects for a medium-long operating period whose length matches the potential for being able to add value.

In relation to new projects, the Group can choose to initiate projects with a view to construction and subsequent startup and maturing over a short span of years. Such projects will typically be classified as investment properties.

This is a natural consequence of the fact that the development process for some projects is not optimally finalized until they have been matured and run in. The portfolio of investment properties generated by this element will ensure both a positive operating margin and a positive cash flow, viewed in isolation. After the maturing process, the project returns can be even better documented and higher prices obtained.

Investment properties can be developed either for the Group's own account or in project development joint ventures with co-investors that wish to participate in both the construction and maturing phases. By entering into joint ventures, the Group will achieve more effective placement of its equity financing of projects under development, better risk spread, and more efficient use of the Group's staff resources and competencies.

The Group owns a few investment properties and a number of completed projects. These properties and projects fall into the Group's asset management segment.

**KNOWLEDGE RESOURCES**

TK Development develops projects of a high standard. Together with the employees' knowledge and qualifications, the Group's close relations with tenants and investors play an essential role in minimizing the risks of individual projects. This combination is the prerequisite for developing projects that generate satisfaction for tenants and investors alike, as well as satisfactory earnings for the Group on individual projects.

## BUSINESS CONCEPT AND KNOWLEDGE RESOURCES

### Employees

The employees' knowledge and competencies are essential to TK Development's value creation, and TK Development continuously strives to secure the best match between employees' competencies and the specific job requirements of the property development business. The Group's employees work within individual, specialized areas: project developers, letting managers, legal and financial project controllers, and engineers.

### Education

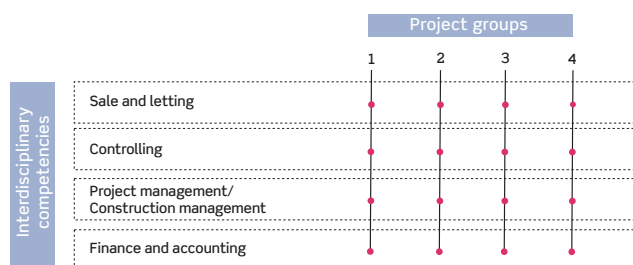
To raise the employees' level of expertise to an even higher level and thus reinforce TK Development's value creation, the Group has continuous focus on training and education. The aim is to strengthen the Group in the development phases that are critical to maximizing the value of each individual project.

In addition to improving the Group's knowledge resources, education helps cement TK Development's position as an attractive workplace for both existing and future employees.

### Project organization

TK Development believes it is important to give employees an inspiring workplace where individual projects afford them the opportunity to accumulate knowledge and experience that can be passed on throughout the organization and thus continuously improve the Group's collective know-how and skills.

In order to ensure a high degree of quality in all services provided by the Group to tenants and investors - as well as efficient progress and quick decisions in the development of individual projects - the Group's staff is anchored in a matrix organization as follows:



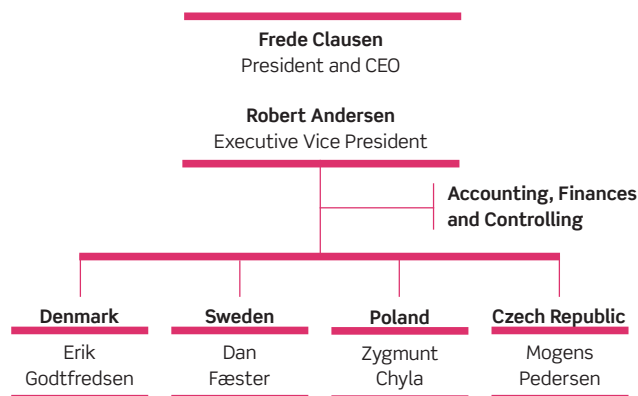
The matrix organization means that all the Group's peak competencies, covering the progress of a project from blueprint to completion, exist in the project group that carries through the individual project from A to Z.

### Organization, management and employees

TK Development's organization and management structure are based on branch offices managed by divisional managers (senior vice presidents).

The Group's international management team consists of the above-mentioned group of persons, as well as functional managers in the individual countries.

The Group's management structure (excluding discontinuing activities) is shown below:

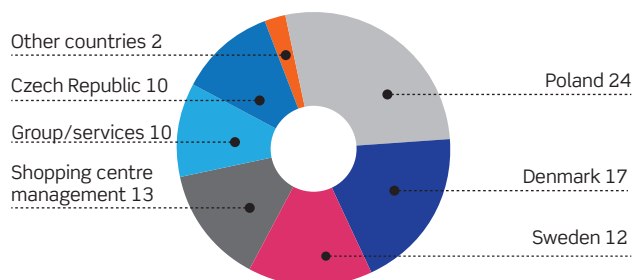


### Organizational focus on segments

To underpin the segmentation chosen, the business activities are organized so as to best ensure management focus on both property development and asset management activities. The members of the Executive Board attempt as far as possible to focus primarily on their own individual business areas, while taking into account that the Executive Board members are jointly responsible for the day-to-day management of the overall business activities. TK Development has several years' experience in asset management and increasingly focuses on this area, including utilization of the Group's competencies and employee know-how to ensure continued progress in maturing the completed projects.

### Breakdown of the Group's employees

At 31 January 2015 the Group employed a total of 88 persons, broken down as follows:



Group functions and related services include management, accounting and finance, and other staff functions.



The Group's primary business area is the development of real property, termed property development. The Group's primary segments are the retail, office and residential segments, with variations from country to country. The Group develops the projects on its own books and with business partners in joint ventures.

**Strategy for business area - Property development**

Developing projects from the conceptual phase through to project completion, based on one of several models:

- Sold projects (forward funding/forward purchase).
- Projects with partners.
- On TK Development's own books based on a high degree of confidence in the letting and sales potential.
- Services for third parties.

**Property development**

Countries:	Denmark, Sweden, Poland and the Czech Republic
Revenue:	2014/15: DKK 701.9 million (2013/14: DKK 252.8 million)
Gross profit/loss:	2014/15: DKK 128.6 million (2013/14: DKK 61.6 million)
Results of joint ventures:	2014/15: DKK 11.6 million (2013/14: DKK 5.9 million)
Balance sheet total:	31 Jan 2015: DKK 1,172.1 million (31 Jan 2014: DKK 1,120.9 million)

In its property development segment, TK Development focuses on executing existing projects in the portfolio, as well as on securing robust pre-construction letting or sales. In addition, Management focuses on new projects and project opportunities aimed at generating satisfactory future returns for the Company's shareholders.

Planned projects are initiated once the commercial conditions for starting construction have been met and partial or full financing of the project has been procured, either from credit institutions or from investors in the form of forward funding. Project startup is also contingent on the provision of any equity financing by means of TK Development's own financial resources.

The gross margin for the 2014/15 financial year amounted to DKK 128.6 million against DKK 61.6 million in 2013/14. The results of joint ventures amounted to DKK 11.6 million against DKK 5.9 million in 2013/14.

The development potential of the project portfolio represented 351,000 m<sup>2</sup> at 31 January 2015, of which sold projects accounted for 45,000 m<sup>2</sup> and remaining projects for 306,000 m<sup>2</sup>. The project portfolio had a total development potential of 405,000 m<sup>2</sup> at 31 January 2014.

The development of the Group's project portfolio, including joint venture projects, is outlined below:

DKKm	31 Jan 2013	31 Jan 2014	31 Jan 2015
<b>Sold</b>			
Completed	15	2	0
In progress	17	10	94
Not initiated	6	0	44
<b>Total</b>	<b>38</b>	<b>12</b>	<b>138</b>
<b>Remaining</b>			
Completed	38	6	49
In progress	198	206	183
Not initiated	901	887	739
<b>Total</b>	<b>1,137</b>	<b>1,099</b>	<b>971</b>
<b>Net project portfolio</b>			
Forward funding	370	59	5
Gross project portfolio	1,545	1,170	1,114
Forward funding in % of gross carrying amount of sold projects	90.7 %	83.1 %	3.5 %

Table 1

By means of forward funding, the Group reduces the funds tied up in the portfolio of sold projects. Forward funding has fallen since 31 January 2014 due to the handover of the Group's Swedish Barkarby Gate retail project, sold to the investor on the basis of forward funding.

The development potential of the Group's project portfolio is shown below in square metres:

m <sup>2</sup> ('000)	31 Jan 2013	31 Jan 2014	31 Jan 2015
<b>Sold</b>			
Completed	4	0	0
In progress	3	21	10
Not initiated	0	0	35
<b>Total</b>	<b>7</b>	<b>21</b>	<b>45</b>
<b>Remaining</b>			
Completed	3	0	3
In progress	20	21	32
Not initiated	422	363	271
<b>Total</b>	<b>445</b>	<b>384</b>	<b>306</b>
<b>Total project portfolio</b>	<b>452</b>	<b>405</b>	<b>351</b>
<b>Number of projects</b>	<b>37</b>	<b>36</b>	<b>39</b>

Table 2

## PROPERTY DEVELOPMENT

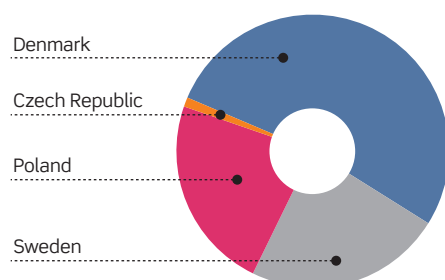
### PROJECT OUTLINE

The outline below lists the key projects in the portfolio in the property development segment. The outline includes projects both in wholly owned companies and in joint ventures.

Project	City/town	Country	Segment	TKD's ownership share of area (m <sup>2</sup> )	TKD's ownership interest	Construction start/expected construction start	Opening/expected opening
<b>Completed</b>							
Ahlgade	Holbæk	DK	Mixed	1,200	100 %	October 2013	October 2014
Smallegade	Frederiksberg	DK	Residential	900	60 %	Early 2014	End-2014
Shopping centre, Frýdek Místek	Frýdek Místek	CZ	Retail	1,480	10 %	Autumn 2013	November 2014
<b>In progress</b>							
Amerika Plads, underground car park	Copenhagen	DK	Car park	16,000	50 %	2004	Continuously
Retail park, Marsvej, phase 1	Randers	DK	Retail	550	100 %	September 2014	2015
Alfa Laval, Østre Havn	Aalborg	DK	Office	3,000	<sup>1)</sup> 50 %	March 2014	Mid-2015
Residential park, Bielany, phase 2	Warsaw	PL	Residential/ services	14,850	100 %	June 2014	Spring 2016
Shopping centre, Jelenia Góra	Jelenia Góra	PL	Retail	7,320	30 %	May 2014	Autumn 2015
<b>Not initiated</b>							
BROEN, shopping centre	Esbjerg	DK	Retail	29,800	100 %	Spring 2015	Spring 2017
Amerika Plads, lot C	Copenhagen	DK	Mixed	3,125	25 %	2015	2017
Amerika Plads, lot A	Copenhagen	DK	Office	6,500	50 %	-	-
Vasevej	Birkerød	DK	Residential	1,900	100 %	-	-
Aarhus South, phase 2	Aarhus	DK	Retail	2,800	100 %	2015	2016
Ejby Industrivej	Copenhagen	DK	Office	12,900	100 %	-	-
Østre Havn/Stuhrs Brygge	Aalborg	DK	Mixed	33,000	<sup>1)</sup> 50 %	Continuously	Continuously
Retail park, Marsvej, phase 2	Randers	DK	Retail	2,150	100 %	2015	2015
Strædet	Køge	DK	Mixed	34,300	100 %	2015	Spring 2017
The Kulan commercial district	Gothenburg	SE	Mixed	45,000	100 %	2017	2019
Retail park, Söderhamn	Söderhamn	SE	Retail	10,000	100 %	2016	2017
Residential park, Bielany, phases 3-4	Warsaw	PL	Residential/ services	31,000	100 %	Continuously	Continuously
Bytom Retail Park	Bytom	PL	Retail	21,400	100 %	Continuously	Continuously
Most Retail Park, phase 2	Most	CZ	Retail	2,000	100 %	-	-
<b>Property development, total floor space</b>				<b>approx. 281,000</b>			

<sup>1)</sup> Share of profit on development amounts to 70 %.

### Geographical segmentation of the development potential in square metres:





## COMPLETED PROJECTS

### Ahlgade, Holbæk, Denmark

TK Development has developed residential and retail premises of about 3,100 m<sup>2</sup> in Holbæk. The residential section has a floor space of about 1,900 m<sup>2</sup> and has been sold and handed over to a housing association. The commercial section has premises of about 1,200 m<sup>2</sup>, which have been fully let to the two Bestseller concepts Jack & Jones and Vila, as well as Imerco (Q3 2014/15: 100 %). Construction began in October 2013 and was completed in October 2014. The project has been developed in a joint venture with a contractor. In November 2014 TK Development bought the retail section from the jointly owned company for the purpose of reselling it to an investor.

### Residential project, Smallegade, Frederiksberg, Denmark

In a joint venture with a contractor and other partners, TK Development has developed apartments for young people totalling about 1,500 m<sup>2</sup> at Smallegade, Frederiksberg. Construction has been completed, and the apartments were ready for occupation in December 2014. The premises have been fully let. After the reporting date, TK Development has entered into an agreement to sell its share of the joint venture to one of the other owners.

### Shopping centre, Frýdek Místek, Czech Republic

In the autumn of 2013 TK Development sold an 80 % stake in a planned shopping centre project in the Czech town of Frýdek Místek to a business partner. Following the sale, TK Development currently holds an ownership interest in the project of 10 %. The shopping centre consists of about 60 retail stores. TK Development receives fee income for letting and managing the construction of the project and related services. The current occupancy rate is 96 % (Q3 2014/15: 96 %), and lease agreements have been concluded with such tenants as Billa, Intersport, H&M, NewYorker and Euronics. Construction started in autumn 2013, and the shopping centre opened in November 2014.

## PROJECTS IN PROGRESS

### Amerika Plads, underground car park, Copenhagen, Denmark

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingselskabet By & Havn I/S and TK Development, owns three projects at Amerika Plads: lot A, lot C and an underground car park. Part of the underground car park in the Amerika Plads area has been built. Car park occupancy and operations will be optimized by developing projects in the remaining lots A and C. The total parking facility is expected to be sold upon completion. For a description of Amerika Plads,

lots A and C, please see the section "Projects not initiated" below.

### Retail park, Marsvej, Randers, Denmark

The Group owns a plot of land on Marsvej in Randers, intended for a retail development project of about 3,700 m<sup>2</sup>. The first phase of about 1,550 m<sup>2</sup> has been let to Jem & Fix and Petworld. Both retail units have been conditionally sold to private investors. Construction started in September 2014. The Jem & Fix premises were completed in January 2015 and handed over to the investor at the end of the financial year. The handover of the Petworld premises is scheduled for the beginning of 2015. The second phase has now been fully let, and construction will start in spring 2015.

### Alfa Laval, Østre Havn/Stuhrs Brygge, Aalborg, Denmark

In 2014/15 TK Development conditionally sold a 6,000 m<sup>2</sup> of office project in Aalborg. The project is being developed for the international Alfa Laval Group, which has entered into a long-term lease for the property. The project has been sold to PensionDanmark for a total price of DKK 126.1 million. Construction began in March 2014, and following completion the project will be handed over to the investor in June 2015. Earnings from the sale will be recognized in 2015/16 upon handover of the project to the investor.

### Residential park, Bielany, Warsaw, Poland

TK Development owns a tract of land in Warsaw on which a residential project of about 53,700 m<sup>2</sup> is being developed. The first phase of 7,850 m<sup>2</sup> has been completed and sold to private users. The plan is to initiate construction of the remaining approx. 45,850 m<sup>2</sup> in three successive phases once pre-construction sales have reached a satisfactory level. The second project phase consists of 297 residential units and service facilities. The pre-construction sale started in December 2013, and 49 % of the units have been sold in advance (Q3 2014/15: 41 %). Construction of the residential units, which are being sold as owner-occupied apartments to private users, started in June 2014, and handover to the buyers is slated for spring 2016.

### Shopping centre, Jelenia Góra, Poland

In Jelenia Góra TK Development is developing a shopping centre of about 24,400 m<sup>2</sup>. The project is being executed as a joint venture with Heitman, in which the Group has an ownership interest of 30 %. The project will comprise a supermarket of about 2,200 m<sup>2</sup> and retail, restaurant and service premises totalling about 22,200 m<sup>2</sup>. Letting is ongoing, and lease agreements for about 61 % of the floor space have been signed (Q3

## PROPERTY DEVELOPMENT

2014/15: about 52 %). The tenants include Intermarché, H&M, Stradivarius, Reserved, Carry, CCC and Bershka. Construction started in May 2014, and the opening is scheduled for autumn 2015. TK Development receives fee income from the jointly owned company for developing, letting and managing the construction of the project.

### PROJECTS NOT INITIATED

#### **BROEN, shopping centre, Esbjerg, Denmark**

In Esbjerg TK Development owns a plot earmarked for a shopping centre project, BROEN, of about 29,800 m<sup>2</sup>, to be built at Esbjerg Station. The shopping centre is expected to comprise about 70 stores. Having received good backing from future tenants, the Group has concluded lease agreements for more than 60 % of the premises.

A building permit has been granted for the project, and a contamination cleanup process is ongoing, along with preliminary construction works. Before construction can start, the project must undergo a validation and approval procedure to ensure safe railway operations, etc. (CSM approval). Several delays in the validation process have postponed project startup. The validation report is now expected to be available in spring 2015, with construction to start immediately afterwards.

After the reporting date, TK Development has concluded a conditional agreement with CapMan Real Estate, which will join the project at its current stage, with a 65 % ownership interest, and thus participate in completing its development. The agreement is subject to the condition that the CSM approval is obtained. Discussions have previously been held with PFA regarding the sale of a share of the project at its current stage. TK Development is still in dialogue with PFA, which has indicated its interest in the project as a long-term investor following its completion.

#### **Amerika Plads, lots A and C, Copenhagen, Denmark**

Kommanditaktieselskabet Danlink Udvikling (DLU), which is owned 50/50 by Udviklingselskabet By & Havn I/S and TK Development, owns three projects at Amerika Plads: lot A, lot C and an underground car park.

Lot A of about 13,000 m<sup>2</sup> has been sold to A.P. Møller - Mærsk A/S for a selling price amounting to DKK 97.5 million. The handover to A.P. Møller - Mærsk A/S is expected to take place in mid-2015, and the profit on the sale will thus impact TK Development's results in 2015/16.

DLU has now entered into cooperation with AP Pension about

developing lot C of about 12,500 m<sup>2</sup>, of which about 12,000 m<sup>2</sup> is earmarked for residential construction and about 500 m<sup>2</sup> for ground-floor business premises targeting the general public. The partnership executing the project is owned 50/50 by AP Pension and DLU. The aim is to build about 120 high-quality apartments for sale to private owners. The partnership has obtained an approval in principle from the public authorities, with construction scheduled to start in mid-2015. The building site was handed over to the jointly owned company in 2014/15. The profits anticipated on the development, construction and sale of the project will be recognized upon handover of the apartments to the respective buyers, expected to take place from the beginning of 2017.

#### **Vasevej, Birkerød, Denmark**

TK Development previously owned a property of almost 3,000 m<sup>2</sup> at Vasevej in Birkerød, rented by SuperBest. This property was sold and handed over to a private property company in 2014/15. TK Development is working on the development of a residential project in the remaining area.

#### **Østre Havn/Stuhrs Brygge, Aalborg, Denmark**

In the area previously occupied by Aalborg Shipyard at Stuhrs Brygge, TK Development is developing a business and residential park of about 72,000 m<sup>2</sup> through a company jointly owned with Frederikshavn Maritime Erhvervspark on a 50/50 basis. The area was acquired by the jointly owned company, with payment being effected for the building rights acquired in step with the development and execution of specific projects. For one thing a project is currently being developed for the international Alfa Laval Group; see above. In addition, work on a new local plan comprising about 31,000 m<sup>2</sup> of housing, offices and parking facilities has been launched.

#### **Development of town centre, Strædet, Køge, Denmark**

TK Development is developing a project in Køge, Strædet, of about 34,300 m<sup>2</sup>, excluding parking facilities. The project is being built immediately next to Køge Station and the town centre shopping area. The total project, to be executed in three phases, will comprise a retail project of about 19,000 m<sup>2</sup>; public service facilities of about 9,000 m<sup>2</sup>, including a town hall and rehabilitation centre; and residential premises of about 6,300 m<sup>2</sup>. In addition, the project will comprise parking facilities of about 13,000 m<sup>2</sup>.

The retail project, covering approx. 19,000 m<sup>2</sup>, will comprise retail stores of about 11,700 m<sup>2</sup>, office premises/fitness facilities of about 2,900 m<sup>2</sup>, plus service space/restaurants and a

cinema of about 4,400 m<sup>2</sup>. The retail project, complete with the parking facilities of about 13,000 m<sup>2</sup>, has been sold conditionally to the Finnish company Citycon. The project will be handed over to the investor upon completion of construction, and the sale to Citycon is thus anticipated to impact results positively in the 2017/18 financial year. The selling price is expected to amount to about DKK 560 million, based on a return of 6.25%.

In addition, an agreement has been made with Køge Municipality regarding its takeover of building rights for both the town hall and rehabilitation centre.

Letting of the retail premises has started, and potential tenants are showing a good amount of interest in the project. A number of lease agreements with anchor tenants, including Irma and Fakta, are in place, and a lease agreement has been concluded with Nordisk Film Biografer regarding the establishment of a six-screen cinema.

Construction of the first phase was initiated in March 2015. The first phase comprises retail premises of about 3,800 m<sup>2</sup>, of which about 2,000 m<sup>2</sup> has been let to supermarket operators, a rehabilitation centre for the municipality of about 5,700 m<sup>2</sup>, an extension of about 3,300 m<sup>2</sup> to the existing town hall, and an approx. 4,500 m<sup>2</sup> underground car park, which has been let to Apcoa Parking.

#### **The Kulan commercial district, shopping centre and service/commercial space, Gothenburg, Sweden**

TK Development has entered into a cooperation agreement with SKF Sverige AB to develop SKF's former factory area in the old part of Gothenburg. The contemplated project comprises a total floor space of about 75,000 m<sup>2</sup>: 30,000 m<sup>2</sup> for a shopping centre, 15,000 m<sup>2</sup> for service/commercial space and 30,000 m<sup>2</sup> for housing. TK Development will be in charge of developing the 45,000 m<sup>2</sup> for a shopping centre, services and commercial facilities, while a housing developer will have responsibility for the 30,000 m<sup>2</sup> of housing. The local plan is currently being prepared, but it has been delayed and is not expected to be adopted until autumn 2016. The project is being discussed with potential tenants, and a number of lease agreements have been concluded.

#### **Residential park, Bielany, Warsaw, Poland**

Reference is made to the description of the project under the heading "Projects in progress".

#### **Bytom Retail Park, Bytom, Poland**

TK Development sold a share of its plot at the Plejada shopping centre in Bytom, centrally located in the Katowice region, to Decathlon in 2014/15, which helps boost interest and development potential in the area. It is anticipated that a retail park with total leasable space of about 21,400 m<sup>2</sup> will be built on the remaining part of the site. Construction of the project will be phased in step with letting. Letting efforts are ongoing, and construction will start as space is let.



## ASSET MANAGEMENT

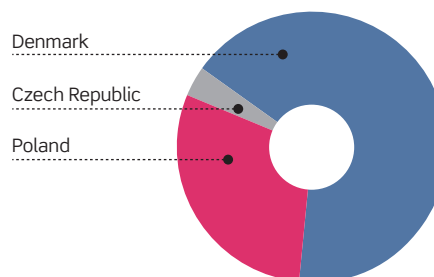
The Group's secondary business area is asset management, which consists of owning, operating, running in, maturing and optimizing completed projects for a medium-long operating period whose length matches the potential for adding value. The projects are held by wholly owned companies and by joint ventures.

## Strategy for business area - Asset management

Owning, operating, maturing and optimizing completed projects for a medium-long operating period that matches the potential for adding value.

Asset management	
Countries:	Denmark, Sweden, Poland and the Czech Republic
Revenue:	2014/15: DKK 63.5 million (2013/14: DKK 67.5 million)
Gross profit/loss:	2014/15: DKK 3.4 million (2013/14: DKK 58.3 million)
Results of joint ventures:	2014/15: DKK 26.3 million (2013/14: DKK 39.4 million)
Balance sheet total:	31 Jan 2015: DKK 1,249.9 million (31 Jan 2014: DKK 1,694.5 million)
Number of employees at centres:	31 Jan 2015: 13 (31 Jan 2014: 14)

## Breakdown by country of properties in the asset management segment (carrying amount):



The gross margin for asset management amounted to DKK 3.4 million in 2014/15 against DKK 58.3 million in 2013/14. The gross margin has been impacted in part by a DKK 44.5 million writedown for impairment of the Silkeborg shopping centre in Frederikssund. The writedown has been made due to the centre's revised letting concept, and thus lower expectations for the net rent potential than before. In addition, rental income dropped in 2014/15 compared to the preceding year, in part because of increased vacancy rates in a few of the centres.

The results of joint ventures in the asset management segment amounted to DKK 26.3 million against DKK 39.4 million the year before. The results of joint ventures realized in 2014/15 include the profit on the sale of the Fashion Arena Outlet Center and a minor negative value adjustment related to the costs defrayed in connection with the sale of Futurum Hradec Králové. The net rental income of joint ventures has dropped as a natural consequence of the sales completed.

## The Group's properties in the asset management segment comprised the following seven properties at 31 January 2015:

	Country	Type	TKD's ownership interest	Project area (m <sup>2</sup> )	Current occupancy rate
<b>Projects in joint ventures</b>					
<b>Investment properties</b>					
Galeria Tarnovia, Tarnów	Poland	Shopping centre	30 %	16,500	84 %
<b>Other completed projects</b>					
Ringsted Outlet	Denmark	Outlet centre	50 %	13,200	72 %
<b>Projects in wholly owned companies</b>					
<b>Other completed projects</b>					
Sillebroen, Frederikssund	Denmark	Shopping centre	100 %	*) 26,400	91 %
Galeria Sandecja, Nowy Sącz	Poland	Shopping centre	100 %	17,300	94 %
Most Retail Park	Czech Republic	Retail park	100 %	6,400	69 %
Aabenraa	Denmark	Retail park	100 %	4,200	71 %
Brønderslev	Denmark	Retail property	100 %	1,200	100 %
<b>Total</b>				<b>85,200</b>	

\*) Including an agreed 4-screen cinema for Nordisk Film of about 1,400 m<sup>2</sup>.

TK Development is still working towards selling the properties in the asset management segment in whole or in part. The current focus is on maturing the individual properties to the extent possible and selling them once the best balance between selling price and expected future use of resources has been achieved for the Group, based on an assessment of the possibilities for alternative capital use.

The total portfolio of properties in the asset management segment, including joint venture properties, amounted to DKK 1,256.1 million at 31 January 2015 against DKK 1,934.2 million at 31 January 2014. The decline is largely attributable to the sale of the two Czech centres, the Fashion Arena Outlet Center and Futurum Hradec Králové.

The annual net rent from the current leases in the total portfolio corresponds to a return on the carrying amount of 4.4 % (2013/14: 6.7 %), which reflects a large spread in the returns on individual centres, as local tenants in particular are generally experiencing difficulties. Based on full occupancy, the return on the carrying amount is expected to be 6.7 % (2013/14: 7.9 %). The falling rate of return is primarily attributable to the sale of the Fashion Arena Outlet Center and Futurum Hradec Králové. The current letting situation is still affected by vacancies, short-term rent discount agreements with tenants and improvement initiatives that have not yet materialized.

The individual properties developed as described below.

SILLEBROEN, SHOPPING CENTRE, FREDERIKSSUND, DENMARK



<b>Opening</b>	<b>March 2010</b>
<b>Leasable area *)</b>	<b>26,400 m<sup>2</sup>, including about 5,000 m<sup>2</sup> of supermarket units</b>
<b>Occupancy rate</b>	<b>91 % (Q3 2014/15: 91 %)</b>
<b>Footfall 2014</b>	<b>3.1 million</b>

\*) Including an agreed 4-screen cinema for Nordisk Film of about 1,400 m<sup>2</sup>.

The Sillebroen shopping centre opened in spring 2010. Due to the financial and economic crisis, the running-in and maturing phase took longer than expected, and as announced on several occasions, a number of tenants are recording difficulties, particularly local tenants. Despite an increase in footfall to about 3.1 million in 2014, the shopping centre's revenue declined slightly to index 99 in 2014 compared to 2013. Since the centre opened, the occupancy rate has ranged from about 90 to 92 %.

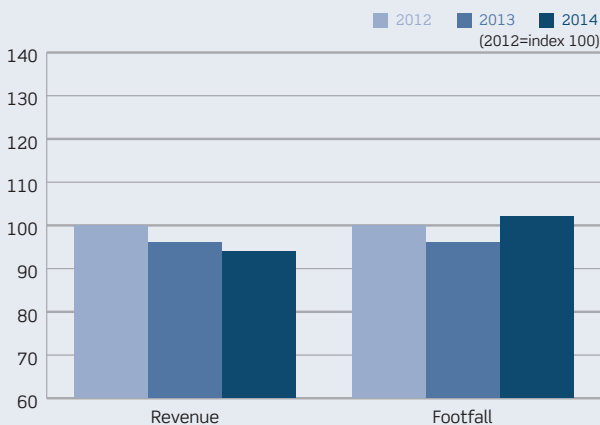
The general picture is that chain stores are managing satisfactorily, and at the end of 2014 and the beginning of 2015 Management negotiated extensions of the lease agreements with several major tenants.

Management finds it relevant to increase the customer flow, and thus the shopping centre revenue, in order to improve the prospects of attracting new tenants that can establish viable business units. As part of these efforts, TK Development has entered into an agreement with Nordisk Film Biografer about the establishment of a cinema of about 1,400 m<sup>2</sup> in the Sillebroen shopping centre. Management considers this an important step towards increasing customer flow and revenue in the rest of the centre. The centre will have to be extended to accommodate the cinema, and this extension is expected to take place over the next 15 months.

Apart from the cinema, Management will establish rental units based on alternative concepts that will help increase the occupancy rate and contribute to creating an integrated and viable centre.

The change in letting concept prompted Management's decision in January 2015 to write down the value of the Sillebroen shopping centre by DKK 44.5 million as Management expects the net rent potential to fall below previous estimates on account of the new concept and other factors.

**Major tenants:** Kvickly, Fakta, H&M, Fona, Gina Tricot, Imerco, Matas, Sportmaster, Tiger, Frederikssund Isenkram, Deichmann, Vero Moda, Designersmarket, Wagner, Frederikssund Apotek, Tøjeksperten, Skoringen, Bog & Idé, Café Vivaldi.



**GALERIA TARNOVIA, SHOPPING CENTRE, TARNÓW, POLAND**


<b>Opening</b>	<b>November 2009</b>
<b>Leasable area</b>	<b>16,500 m<sup>2</sup>, including a supermarket of about 2,000 m<sup>2</sup></b>
<b>Occupancy rate</b>	<b>84 % (Q3 2014/15: 87 %)</b>
<b>Footfall 2014</b>	<b>1.9 million</b>

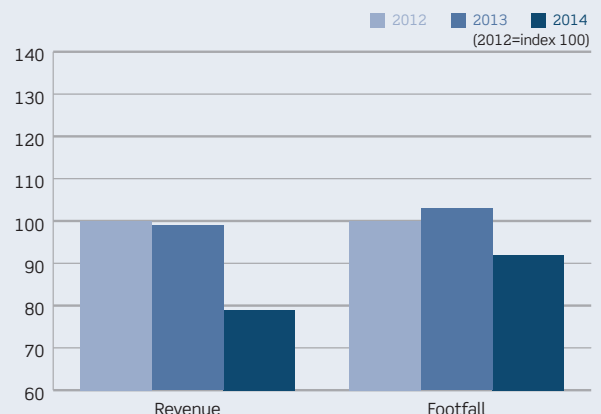
TK Development owns 30 % of the centre. The centre's revenue increased slightly in 2014 compared to 2013, and its annual footfall is on a par with 2013. The occupancy rate has dropped to 84 % following the closing of a few stores. The general picture is that chain stores are managing satisfactorily, while local tenants are experiencing difficulties.

In the autumn of 2014, an agreement was made with the previous supermarket operator regarding its vacation of the premises. At the same time, a new lease agreement for the premises was made with Carrefour. Carrefour took over the lease at the end of October 2014 and is the centre's current supermarket operator, which is expected to contribute to increasing footfall and revenue in the centre.

Negotiations are ongoing with several tenants, both in connection with the extension of lease agreements and the reletting of vacant premises. The rental level is generally under pressure.

The current focus is on achieving a higher occupancy rate and replacing weak tenants with more robust tenants, and thus increasing the centre's footfall and revenue for the benefit of tenants.

**Major tenants:** Carrefour, H&M, New Yorker, Euro RTV AGD, Reserved, Deichmann, Douglas, Rossmann, Stradivarius, Takko Fashion.

**GALERIA SANDECJA, SHOPPING CENTRE, NOWY SĄCZ, POLAND**


<b>Opening</b>	<b>October 2009</b>
<b>Leasable area</b>	<b>17,300 m<sup>2</sup>, including a 5,000 m<sup>2</sup> hypermarket</b>
<b>Occupancy rate</b>	<b>94 % (Q3 2014/15: 94 %)</b>
<b>Footfall 2014</b>	<b>2.2 million</b>

The opening of a competing centre in Nowy Sącz in autumn 2013 has affected the operation of Galeria Sandecja. In 2014 the revenue index was 80 and the footfall index 90 compared to 2013. The change in the competitive situation has put the rental level under pressure, and some tenants have chosen to vacate their premises in connection with the renegotiation of their lease agreements. Subsequently, lease agreements have been concluded with new tenants, and the centre has once more reached an occupancy rate of 94 %.

Work is proceeding on a long-term centre plan to regain satisfactory revenue and footfall levels within the next few years. The initial focus is on creating a strong mix of tenants on the ground floor. Thus, a lease agreement has been concluded with Rossmann, which will open for business in April 2015, and negotiations are ongoing with other potential tenants. Moreover, efforts are being made to relaunch the first floor with discount stores in order to secure a better customer flow. Some of the first-floor premises have been let for this purpose, and negotiations with potential tenants for the remaining premises are ongoing.

**Major tenants:** Carrefour, H&M, New Yorker, Rossmann, Deichmann, Douglas, Carry, Euro RTV AGD.

RINGSTED OUTLET, RINGSTED, DENMARK



Opening	March 2008
Leasable area	13,200 m <sup>2</sup>
Occupancy rate	72 % (Q3 2014/15: 72 %)
Footfall 2014	1.3 million

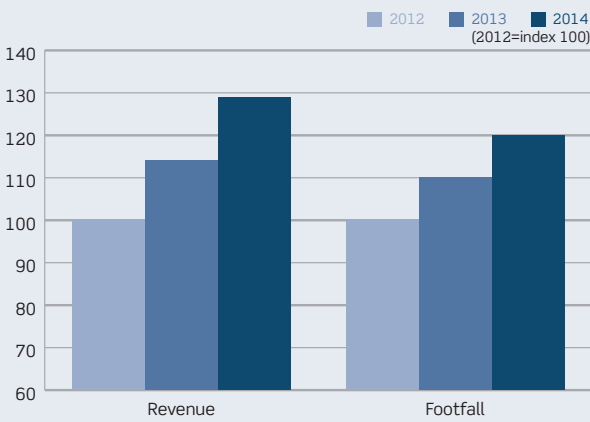
Ringsted Outlet has been developed in a 50/50 joint venture with Miller Developments. After a long running-in period, Ringsted Outlet has recorded pleasing progress in the past years. Ringsted Outlet recorded progress again in 2014. Footfall increased about 10 % and revenue about 14 % compared to the year before.

Efforts to drive up the occupancy rate have proved successful, resulting in a substantial increase in 2014 and the conclusion of lease agreements with a number of strong tenants.

Thus, a number of new stores opened for business in 2014, with Stiletto opening in February, LEGO Wear in March and Hunkemöller, POMPdeLUX and Desigual in August. The latest newcomers are Olsen and Samsonite, which opened in October and November, respectively. OBH Nordica will be opening an outlet in March 2015.

Competition has become fiercer since the opening of a new outlet centre nearer Copenhagen. However, the new outlet centre has not had a negative effect on Ringsted Outlet so far.

**Major tenants:** Hugo Boss, Nike, Puma, Diesel, G-Star Raw, Redgreen, Desigual, McDonald's, Superdry, Levi's, Samsøe & Samsøe, Rosendahl, Noa Noa, Helly Hansen, Ticket to Heaven, Le Creuset, Saint Tropez, Asics, Envii, Signal, LEGO Wear, Samsonite.



MOST RETAIL PARK, PHASE 1, CZECH REPUBLIC

In the Czech town of Most, TK Development completed the first phase of a retail park in 2009, covering about 6,400 m<sup>2</sup> of a planned total floor space of about 8,400 m<sup>2</sup>. The occupancy rate for the first phase dropped to 57 % in the first half of 2014/15 after several tenants had vacated their premises on expiry of their lease agreements. Subsequently, the occupancy rate has increased by 12 percentage points, partly because an existing tenant has extended its premises. The current occupancy rate is 69 % (Q3 2014/15: 69 %). Efforts are under way to let the vacant premises, and a constructive dialogue has been established with potential tenants.



RETAIL PARK, AABENRAA, DENMARK

TK Development built a retail park of approx. 4,200 m<sup>2</sup> in Aabenraa in 2009. The occupancy rate for the retail park is 71 % (Q3 2014/15: 71 %). The tenants in the retail park are jem & fix, Petworld, T. Hansen and Sport24. Discussions with potential tenants for the vacant unit are ongoing, and efforts are being made to sell the property to private investors.



RETAIL PROPERTY, BRØNDERSLEV, DENMARK

TK Development has developed retail stores and other services of about 2,400 m<sup>2</sup> at Mejlstedgade in Brønderslev. The premises have been let to Sportmaster, Fitness World and Intersport, among other tenants. A share of the property (Fitness World, approx. 1,200 m<sup>2</sup>) was sold and handed over to a private investor in 2014/15. Attempts are being made to sell the rest of the property, which is fully let, to a private investor.





## DISCONTINUING ACTIVITIES

TK Development has a market focus that targets the countries expected to contribute to generating substantial value in future and more efficient utilization of capital resources. This means that the Group is phasing out its activities in Finland, Germany, the Baltic States and Russia. The phase-out is being carried out as quickly as possible, while at the same time taking into account that the countries in question have projects that need to be handled in such a way as to retain maximum value.

Discontinuing activities	
Countries:	Germany, Finland, Lithuania, Latvia and Russia
Revenue:	2014/15: DKK 89.3 million (2013/14: DKK 10.4 million)
Gross profit/loss:	2014/15: DKK -38.7 million (2013/14: DKK -17.4 million)
Balance sheet total:	31 Jan 2015: DKK 250.3 million (31 Jan 2014: DKK 367.7 million)
Number of employees:	31 Jan 2015: 2 (31 Jan 2014: 2)

The results before tax of the discontinuing activities amounted to DKK -54.1 million in 2014/15 against DKK -38.9 million in 2013/14, of which DKK -17.3 million derives from current operations, DKK -14.6 million from losses recognized on completed sales, and DKK -22.2 million from impairment losses on the remaining assets.

Management accords strict priority to phasing out those of the Group's activities that are categorized as discontinuing activities, and has chosen to implement sales at a price below the carrying amount. In order to speed up the phase-out, Management has moreover chosen to write down the remaining assets by an amount of DKK 22.2 million.

Since 31 January 2014 the balance sheet total for the discontinuing activities has been reduced by 32 %, amounting to DKK 250.3 million at 31 January 2015. The reduction relates mainly to the handover of the first phase of the DomusPro Retail Park project in Vilnius, which has been sold in advance to the investor, and the sale of a German investment property.

The timing and phase-out of the discontinuing activities are subject to uncertainty. The phase-out is progressing, and the risk exists that these activities may be phased out at a value lower than their carrying amount.

### GERMANY

In Germany TK Development sold another of its investment properties in 2014/15, with only one investment property re-

maining at 31 January 2015, viz. a combined commercial and residential rental property in Lüdenscheid in western Germany. The valuation of this property was DKK 78.1 million at 31 January 2015 following a value adjustment of DKK -2.9 million in the 2014/15 financial year. As was the case at 31 January 2014, the valuation is based on a return requirement of 6.5 % p.a. calculated on the basis of a discounted cash-flow model over a ten-year period and recognition of the terminal value in year ten. Part of the property has not been let, and work is proceeding on a development plan aimed at optimizing and subsequently selling the whole property. Therefore, Management expects the time horizon for disposing of this property to be slightly longer.

Moreover, the Group sold its share of a minor shopping centre in 2014/15, and following this sale TK Development merely owns two plots of land in addition to the above-mentioned investment property.

The employees have left their positions, and the branch office has closed down.

### FINLAND

In the fourth quarter of 2014/15, TK Development resold the Group's plot of land in Kaarina to the municipality. A loss recognized in the third quarter of 2014/15 was recorded on this sale. Following the sale, the Group's activities in Finland at 31 January 2015 merely comprised one plot of land in Tammerfors which allows for the construction of a retail park of about 5,400 m<sup>2</sup>. TK Development has entered into a lease agreement with Plantagen regarding the establishment of a 2,000 m<sup>2</sup> retail store on the land. The aim is to sell the project as soon as possible at its current stage.

The employees have left their positions, and the branch office has closed down.

### BALTIC STATES

The Group's Baltic activities comprise the following projects:

Project	City/town	Segment	Floor space (m <sup>2</sup> )
DomusPro Retail Park, phase 2	Vilnius (LT)	Retail	3,800
Milgravja Street	Riga (LV)	Residential	10,400
Ulmana Retail Park	Riga (LV)	Retail	12,500

#### DomusPro Retail Park, Vilnius, Lithuania

TK Development owns a plot of land in Vilnius on which a retail park with a total floor space of 11,300 m<sup>2</sup> is being developed.





## DISCONTINUING ACTIVITIES

Construction of the first phase of about 7,500 m<sup>2</sup> has been completed, and the opening took place on 20 March 2014. The project was sold and handed over to the buyer, BPT Baltic Opportunity Fund, which is managed by BPT Asset Management, in the first quarter of 2014/15. The selling price is based on a return requirement of 8.5 %. The second phase of the project of about 3,800 m<sup>2</sup> has been fully let, with construction starting in spring 2015 and the handover to the buyer to take place upon completion in 2016. In addition, TK Development has the option of developing and constructing a third phase, to consist of housing of about 3,900 m<sup>2</sup> and retail stores of about 850 m<sup>2</sup>, or, in the alternative, office premises of 2-3,000 m<sup>2</sup>. Both options are currently being investigated.

Efforts are being made to phase out the remaining activities in the Baltic States as quickly as possible, with due consideration paid to retaining the maximum possible value of the existing portfolio.

### **RUSSIA**

The Group owns a minor project in Moscow, consisting of Scandinavian-style dwellings that are used for rental. Efforts will be made to sell this project once market conditions have normalized.

## FINANCIAL TARGETS

To provide for sufficient future financial resources, liquidity targets have been formulated for the whole Group; see below. Moreover, Management has adopted a target solvency ratio of about 40 % at group level, calculated as the ratio of equity to total assets.

### COVENANTS RELATED TO CREDIT FACILITIES

The Group has given its main banker an undertaking to comply with a solvency ratio covenant of minimum 30 % at group level, measured in connection with the presentation of interim and annual reports.

### LIQUIDITY COVENANT

The Group has used covenants for quite some years. In short, the liquidity covenant expresses that the Group's cash resources – to enable the Group to cover liabilities requiring substantial liquidity - must at any time correspond to the fixed costs for the next six-month period, excluding funds received as proceeds from projects sold, but including project liabilities materializing within the next six months.

The covenant represents a liquidity target for the whole Group and a commitment to the Group's main banker.

The covenant must be calculated and met before projects requiring liquidity can be acquired and initiated.

#### The covenant is expressed as follows:

$$L + K > E + O + R,$$

where

L = The TK Development Group's free cash resources in the form of deposits with banks and the value of listed Danish government and mortgage bonds with a term to maturity of less than five years.

K = The TK Development Group's amounts available on committed operating credit facilities from time to time.

E = The planned impact on cash resources from the projects which the TK Development Group is obliged to complete within six months, including the new/expanded project, taking into account committed project credit facilities from financial institutions and forward funding.

O = The TK Development Group's cash non-project-related ca-

capacity costs for the following six months less management fees falling due within six months. In addition, pre-agreed project fees from final and binding agreements with project investors falling due within six months are to be set off against the amount.

R = Interest accruing on the TK Development Group's operating credit facilities for the following six months.

The Group's solvency and liquidity covenants were both met during the year under review.



### RISK MANAGEMENT

In connection with determining TK Development's strategy and overall goals, the Board of Directors and Executive Board have identified the most significant business risks and seek continuously to ensure efficient risk management. A focal point of the Group's risk management policy is a keen awareness on only initiating projects whose expected earnings will match the project's complexity, completion time, tied-up capital and other use of resources.

Management has a consistently strong focus on the Group's financial management and on strengthening the financial platform, including managing and optimizing TK Development's loan-taking. TK Development's sale of its 75 % stake in the Fashion Arena Outlet Center in Prague and its 20 % stake in Futurum Hradec Králové, also in the Czech Republic, has freed up substantial cash resources, which have been used in part to reduce payables to credit institutions, and in part to strengthen the Group's financial platform.

Another core element of the Group's risk management is the solvency and liquidity targets adopted for the Group.

The Board of Directors regularly considers issues relating to the project portfolio, properties, market conditions, financing, IT and staffing as part of its broader assessment of potential risks and scarcity factors.

Reports to the Board of Directors are submitted on an ongoing basis with respect to the Group's risk issues, which also constitute an important element in the decision-making basis for all major projects.

### RISK ISSUES IN GENERAL

Property market conditions in the countries in which the Group operates have in recent years been affected by the financial and economic crisis, which has resulted in lower prices for property and reduced access to financing. Particularly the Danish market has been subject to uncertainty for a prolonged period, partly because of a weakened financial sector.

In Management's opinion, market conditions have picked up in the Group's business areas, enabling it once more to execute projects based on normalized earnings. The Group's markets are characterized by expectations for financial growth and rising consumer confidence, although varying in strength from country to country. Moreover, private consumption is anticipated to expand in the years to come. In this phase of the business

cycle, where economic growth is on the rise, some uncertainty, although diminishing, persists in the property markets, and the decision-making process of tenants, investors and financing sources remains lengthy and carefully considered.

Economic and financial trends on the individual markets will materially affect TK Development's ability to realize its strategy, and a worsening of these trends may have a material adverse effect on the Group's future development, results of operations, cash flows and financial position.

The most important risks for the Group, apart from general risks, are described below.

### FINANCIAL RISKS

#### Financing and liquidity risks

Having sufficient cash resources is essential for TK Development. Access to project financing, which has remained difficult for a prolonged period, poses the greatest challenge to the property sector. Management is of the opinion that project finance options are available again. However, the options for procuring financing vary from project to project, depending on the type, location and status of the properties concerned, including letting and sales. When granting project finance credits, the banks continue to require relatively high borrower equity, but a degree of leniency has recently emerged.

Planned projects are initiated once the commercial conditions for starting construction have been met and partial or full financing of the project has been procured, either from credit institutions or from investors in the form of forward funding. Project startup is also contingent on the provision of any equity financing by means of TK Development's own financial resources, with due consideration for the liquidity covenants adopted by Management.

The Group's short-term debt to credit institutions consists of operating and project credits. TK Development has a general agreement with the Group's main banker about operating and project credits. The agreement is usually renegotiated once a year and runs until 1 May 2015. After the reporting date, the agreement was extended until 1 May 2016.

In addition, the Group has entered into project-financing agreements with various banks in Denmark and abroad and will continue to rely on being able to conclude such financing agreements. Project credits are usually granted with different terms to maturity, depending on the specific project.

## RISK ISSUES

Of the Group's total interest-bearing debt at 31 January 2015, only DKK 0.5 million is due to mature before 31 January 2016. These credits have largely been extended after the reporting date.

A number of loan agreements contain provisions on cross default, which means that default on a loan under a loan agreement may be considered default of a number of other loan agreements.

The Group has undertaken towards its main banker to comply with certain conditions (liquidity and solvency covenants). The conditions may, among other things, restrict opportunities to launch new business activities and in case the conditions are not complied with, the operating and project credit facilities may be terminated.

Many of the Group's loan agreements contain provisions giving the banks a discretionary option to terminate the agreement. In such cases, maintaining financing depends on the bank's subjective assessment of the quality and profitability of the facility in question, as well as the value of the security provided by the Group. If the Group fails to meet its commitments under such agreements with its banks, the agreements risk being terminated. There is a risk that TK Development will not have adequate capital resources to meet substantial repayment demands.

If the Group is unable to obtain sufficient funding in future, or if such funding cannot be obtained on viable terms, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### Interest-rate risks

A substantial share of the Group's interest-bearing debt consists of floating-rate loans. Accordingly, increasing interest rates will push up the Group's interest expenses. An interest-rate fluctuation of 1 percentage point on the floating-rate loans will have a direct post-tax impact of about DKK 6 million on TK Development. In addition, rising interest rates would, all other things being equal, affect investor return requirements and by extension real property prices.

### Currency risks

TK Development's Danish subsidiaries operate almost exclusively in DKK, while the foreign subsidiaries generally operate in their local currency or alternatively EUR. As far as possible, the Group attempts to minimize the currency risk by conclud-

ing related agreements in the same currency. For instance, it aims to conclude purchase and sales agreements, construction contracts and financing agreements regarding a single project in the same currency. Currency fluctuations may materially affect the Group's future development, results of operations, cash flows and financial position. The most important currency risks are assessed to relate mainly to foreign subsidiaries' net results, intercompany balances and foreign-exchange adjustments of the Group's investments in foreign subsidiaries.

## BUSINESS RISKS

### Retail trade developments

Negative developments in the retail sector, for example due to economic trends or increased Internet sales, may result in lower demand for retail rental premises, and thus lower rental income and property prices, which could have an adverse effect on the Group.

### Property prices and rental income

The Group is affected by price fluctuations in the various property markets in which it operates, as well as by general economic trends. Part of the Group's project portfolio and some of its investment properties have thus been under earnings pressure during the financial and economic crisis. Rental levels for part of the project portfolio have also been under pressure. Such fluctuations affect the value, including the selling price, of the Group's portfolio of land, ongoing and completed projects, investment properties, and the potential for developing new projects. Falling prices on land and property and falling rental levels may have a major adverse effect on the Group.

### Investment properties and completed projects

The Group's investment properties and completed projects are essentially subject to the same risks, primarily risks related to rental conditions and property prices, and their value may decline substantially relative to the carrying amount in the balance sheet.

### Discontinuing activities

In March 2013 the Group decided to phase out its activities in Finland, Germany, the Baltic States and Russia. The phase-out is being carried out as quickly as possible, although taking into account that the countries in question have projects that need to be handled so as to retain as much of the value of the existing portfolio as possible. The timing and phase-out of the discontinuing activities are subject to major uncertainty. The phase-out is progressing, and the risk exists that these activities may be phased out at a value lower than their carrying





amount.

### Agreements with tenants

Apart from the risk attaching to lease agreements, which primarily comprises the ability of tenants to live up to the terms and conditions of a lease agreement, including particularly the obligation to pay, there is a letting risk attaching to those of the Group's leases that expire while the Group owns the underlying investment properties/completed projects. If the Group fails to renew these agreements, fails to enter into new leases, or if the agreements can be entered into only on less favourable terms and conditions, it could have a material adverse effect on the Group.

Part of the Group's rental income from tenants includes a revenue-based share. The Group's total rental income under these lease agreements depends partly on the tenant's ability to maintain a certain amount of revenue in the relevant premises. The share of such revenue-based rent may vary considerably depending on the nature of the brand, the store and the products. Failure by the tenant to generate sufficient revenue to trigger the revenue-based share of the overall rental income could have a material adverse effect on the Group.

### Development activities

TK Development's primary business area is property development, and the Group functions as the creative liaison between tenants, investors, architects, construction companies and other business partners when developing projects.

Projects are only initiated after a careful assessment of their earnings potential viewed in light of project complexity, completion time, tied-up capital, and other use of resources.

Where agreements with investors and contractors, for example, have not been brought into alignment, the Group assumes an extra project development risk in that it may have to rectify defects or other matters that the contractor is either not obliged or not able to address.

### Agreements with investors

The Group's customers on the investment side are private individuals, property companies and institutional investors. To the extent possible, the Group seeks to reduce its tied-up capital and risks relating to ongoing projects by applying forward funding from investors, which means that one or more investors undertake to provide funding as project construction progresses. When concluding forward-funding agreements, the investor

and the Group come to an agreement on a well-defined project before construction starts. Subsequently, the investor has a liquidity commitment throughout the construction period and is consulted on major decisions. These principles ensure that the Group's risks from construction startup are largely limited to the letting risk attaching to any remaining unlet premises and the risk of construction budget overruns.

In agreements with institutional investors, the overriding risk relates to the Group's ability to deliver on time and in accordance with specifications. Even though a sales agreement regarding a project has been concluded, a number of major risks and conditions may still be attached to the project, which could lead to termination of a sales agreement on account of breach by one of the parties.

In cases where a sales agreement is concluded before all lease agreements in the project have been finalized, the Group undertakes a calculated risk that the remaining premises cannot be let on terms and conditions that ensure a satisfactory return. The Group also assumes a counterparty risk, including with respect to, but not limited to, tenants and investors.

For such sold projects, construction will not be initiated until the Group expects to be able to meet the requirements from the investor which finalize the project sale. These requirements usually fall within the Group's spheres of competency. If the sale cannot be completed anyway, it could have a material adverse effect on the Group's future performance, results of operations, cash flows and financial position.

### Regulatory approvals

The Group's future earnings depend on the inflow of new projects and consequently on the future availability of new building sites and regulatory approvals (planning legislation, local development plans, planning permission, etc.) concerning the location, size and use of a property. Changes in local plans or other factors that make obtaining planning permission difficult or restrict the supply of building sites may have a material adverse effect on the Group.

### Compliance with time schedules

The Group bases its individual projects on overall and detailed time schedules. Time is a crucial factor in complying with agreements concluded with tenants and investors and a significant factor in ensuring that the individual projects progress according to plan and, accordingly, that the Group generates the earnings expected. Postponing an individual project may, for

## RISK ISSUES

instance, mean that lease agreements lapse, tenants become entitled to compensation and, ultimately, that an investor is no longer under an obligation to buy the project.

### Environmental matters

Before buying plots of land or existing properties for its projects, the Group assesses the contamination risk. In case of known or suspected contamination, the Group may, for example, include a caveat to this effect in the contract, either requiring guarantees from the seller or possibly requiring that the seller clean up the land for its future purpose or defray the costs of such clean-up. Alternatively, the Group may decide not to acquire the land or property. If the land is insufficiently cleaned up or an assessed need for clean-up proves wrong, this could have an adverse effect on the Group.

### Third-party agreements

A major portion of the Group's business consists of concluding agreements with development partners, investors, tenants and contractors for property development projects.

Several cooperation agreements with business partners contain provisions stipulating that the Group has an obligation to inject capital into jointly owned companies or otherwise contribute to their financing. If the Group fails to meet such obligations, including due to a lack of liquidity, the Group may be bought out by the relevant company at a reduced price or the Group's ownership interest may be diluted.

### Insurance risks

The Group reviews its overall insurance plan at least once a year, and Management believes the Group has necessary and adequate insurance against all relevant and usual risks. The Group is not insured against loss, damage or injury caused by natural disasters (including floods, earthquakes, etc.), wars, terrorist attacks, etc.

## RISKS RELATED TO THE PRESENTATION OF FINANCIAL STATEMENTS

When applying the Group's accounting policies in practice, Management makes a number of significant accounting estimates and judgments that materially affect the Annual Report, particularly as concerns the measurement of various assets. A significant part of the Group's balance sheet consists of ongoing and completed projects on which any indications of impairment are determined based on a specific assessment of each individual project, including existing project budgets and the expected future development potential. If the actual course of a project

deviates from the expected development, this could have an adverse effect on the Group.

## TAX MATTERS FOR THE GROUP

### Deferred tax assets

A deferred tax asset of DKK 114.7 million has been recognized in the balance sheet at 31 January 2015. The tax asset relates mainly to tax loss carryforwards in the various subsidiaries. Valuation is based on the existing rules for carrying forward losses and joint taxation or group contributions and the assumption that each subsidiary is a going concern. A change in the conditions and assumptions for carrying forward losses and joint taxation/group contributions could result in the value of the tax asset being lower than that computed at 31 January 2015. Management has performed the valuation of the tax asset on the basis of available budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. For the following two years, the profit forecasts are based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. This includes making provision for the risk that projects are not implemented and the risk that project profits fall below expectations.

A change in the terms and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax asset being lower than that computed at 31 January 2015, which could have a material adverse effect on the Group's results of operations and financial position.

### Joint taxation

The Group was previously jointly taxed with its German subsidiaries for a number of years. The retaxation balance in respect of the jointly taxed German companies amounted to DKK 389.4 million at 31 January 2015. Full retaxation would trigger a tax charge of DKK 97.4 million at 31 January 2015. Tax has not been provided on the retaxation balance, because Management does not plan to make changes in the Group that would result in full or partial retaxation. If Management takes a different view, this could have a material adverse effect on the Group.

## LEGAL RISKS

TK Development constantly enters into agreements with a range of contracting parties, such as investors, contractors, tenants, etc. These agreements involve opportunities and risks that are assessed and identified prior to contract conclusion. From time to time, the Group is involved in disputes and law-



suits. The Group is not a party to any lawsuits that, either individually or collectively, are expected to materially affect the Group's earnings.

### **Senior Vice President indicted by the Polish police**

In June 2006 the Senior Vice President in charge of the Group's Polish branch office was charged by the Polish police with irregularities related to obtaining regulatory approval (zoning permission) for the Polish Galeria Biala shopping centre project in Bialystok. The Polish prosecution service subsequently indicted the Senior Vice President, and the case is currently being tried. During the entire process, Group Management has been unable to find any irregularities in connection with the project, and still fails to comprehend that the Senior Vice President could be involved in the alleged practices.

If, contrary to Management's expectations, the Senior Vice President is convicted, this might damage the Group's reputation and thus adversely affect its activities and earnings.

### **Litigation**

TK Development is currently party to the following lawsuit/arbitration case that is of relevance due to its scope:

In the summer of 2002, De Samvirkende Købmænd, a trade association of grocery retailers, filed a complaint with the Nature Protection Board of Appeal (Naturklagenævnet) in respect of the City of Copenhagen's approval of the layout of the Field's department store. In particular, the claim asserted that the Field's department store is not one department store, but that it consists of several individual stores. The Nature Protection Board of Appeal made its decision in the matter in December 2003, after which the department store layout was approved. De Samvirkende Købmænd subsequently took out a writ against the Nature Protection Board of Appeal before the Danish High Court. At the beginning of 2011, the High Court gave judgment in favour of De Samvirkende Købmænd. Neither the owner of the centre nor any company in the TK Development Group is a direct party to the case, but the High Court's judgment may have the effect that the Field's department store will have to be redesigned following negotiations with the relevant local authorities. As a result of the judgment, the owner of Field's may have to incur the financial burden of causing the necessary changes to the building layout, and in that connection it cannot be ruled out that a claim may be made against the Group. Regardless of the judgment, Management still believes the risk of this case to be negligible.

## SHAREHOLDERS

### SHARE INFORMATION

Stock exchange	Nasdaq Copenhagen
Index	SmallCap
Share capital	DKK 98,153,335
Share denomination	DKK 1
Number of shares	98,153,335
Share classes	One
Number of votes per share	One
Bearer security	Yes
Voting right restrictions	No
Share transfer restrictions	No
ISIN code	DK0010258995

### Shareholders and their holdings

The number of registered shareholders decreased from 7,231 at the beginning of the year to 6,871 at the end of the year. The registered shareholders represented 91.54 % of the share capital at 31 January 2015 (31 January 2014: 91.11 %).

The table below shows the ownership structure of TK Development A/S as of today, as reported to Nasdaq Copenhagen pursuant to section 29 of the Danish Securities Trading Act.

Shareholders holding more than 5 %	Ownership and voting interest in %
Storm Real Estate ASA, 100 New Bond Street, London W1S 1SP, United Kingdom	11.07 %
Strategic Capital ApS, Islands Brygge 79 C, 2300 Copenhagen S, Denmark	10.19 %
Dava 1 ApS, c/o Kurt Daell, Lysagervej 25, 2920 Charlottenlund, Denmark	10.02 %
Kirk & Thorsen Invest A/S, represented by Peter Thorsen, Toldvagt 2, 7100 Vejle, Denmark	5.98 %

The table below shows a breakdown of shares held by the Board of Directors and Executive Board.

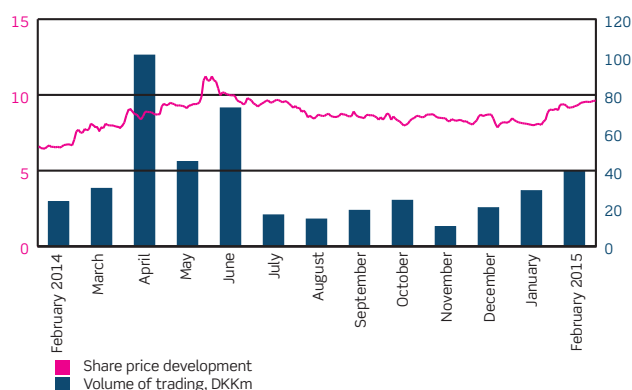
	Number of shares *)	Ownership and voting interest in %	Change for the year in number of shares
<b>Board of Directors:</b>			
Niels Roth	2,575,127	2.62 %	0
Peter Thorsen	5,867,220	5.98 %	1,675,000
Per Søndergaard Pedersen	652,186	0.66 %	0
Arne Gerlyng-Hansen	104,533	0.11 %	0
Kim Mikkelsen	10,000,000	10.19 %	184,967
Morten E. Astrup	10,865,175	11.07 %	564,959
<b>Executive Board:</b>			
Frede Clausen	568,023	0.58 %	0
Robert Andersen	326,667	0.33 %	0
<b>Total</b>	<b>30,958,931</b>	<b>31.54 %</b>	<b>2,424,926</b>

\*) The holdings include all shares held by all members of the entire household as well as companies controlled by the above-named persons.

### Share price development

On 31 January 2015 TK Development A/S' shares were listed at a price of DKK 9.0 per share with a nominal value of DKK 1, equal to a market value of DKK 883 million.

The price of TK Development A/S shares developed as follows during the year under review:



### Volume of trading

During the year under review, the share was traded on 247 days, with a total trading volume of DKK 408 million against DKK 250 million the year before. 19,790 trades were completed (2013/14: 11,425 trades), covering a total of 46,083,595 shares (2013/14: 34,743,730 shares).

### CAPITAL AND SHARE STRUCTURE

TK Development A/S' shares are not divided into several share classes, and no shares are subject to special rights or restrictions. Each share confers one vote on the holder. TK Development's Articles of Association contain no restrictions governing share ownership, the number of shares that a shareholder may hold or share transferability. As all shareholders thus have equal rights, the Board of Directors believes that the share structure chosen is the most appropriate one.

The Company's Management reviews the Group's capital structure on a regular basis, as well as the need for any adjustments. Management's overall aim is to provide a capital structure that supports the Group's earnings potential, while at the same time ensuring the best possible relation between equity and loan capital and thus maximizing the return for the Company's shareholders. In Management's opinion, the present capital and share structure fulfils this aim.

### SHAREHOLDERS' AGREEMENTS

Management is not aware of any shareholders' agreements that have been concluded between TK Development A/S'





shareholders.

**RULES REGARDING ALTERATIONS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

The Articles of Association of TK Development A/S can only be altered following a resolution adopted at a General Meeting in compliance with the Danish Companies Act. Requests for the inclusion of a specific proposal in the agenda of the Annual General Meeting shall be submitted in writing by shareholders to the Board of Directors. If the request is submitted no later than six weeks before the date of the General Meeting, the shareholder is entitled to have the proposal included in the agenda. If the Board of Directors receives the request later than six weeks before the Annual General Meeting, the Board of Directors will determine whether the request has been made sufficiently early to permit its inclusion in the agenda.

At a General Meeting, resolutions can only be adopted in respect of business included in the agenda and any proposed amendments. If proposals to alter the Articles of Association are to be considered at a General Meeting, the essentials of such proposals must be stated in the convening notice. A proposed resolution to alter the Company's Articles of Association is subject to the proposal being adopted by at least two-thirds of the votes cast as well as of the voting stock represented at the General Meeting.

**SHARE-BASED INCENTIVE SCHEMES**

**2011 scheme**

In June 2011 the Board of Directors granted 125,000 warrants to the Executive Board and 375,000 warrants to other executive staff members, a total of 500,000 warrants. Following the capital reduction and capital increase implemented in September 2013, the number of warrants allocated was adjusted by 171,461 warrants. The number of outstanding warrants totalled 615,461 at the reporting date.

Under the four-year warrant scheme, warrants can be exercised at the earliest three years after the grant date, and any shares subscribed for are subject to an additional lock-up period of up to two years. Warrants comprised by the incentive scheme may be exercised within three six-week windows, of which only one window remains, viz. the six weeks following publication of the preliminary announcement of financial statements for the 2014/15 financial year.

The subscription price per share of nominally DKK 1, before any deduction for dividends, has been fixed at DKK 21.8 in the last

exercise window.

The main condition for exercising these warrants is that the employee has not given notice to terminate his or her employment before having exercised the warrants allocated.

The Group's total expenses for the incentive scheme amount to DKK 2.0 million, being charged to the income statement over a period of 35 months.

	Number of warrants 2011 scheme
Board of Directors	0
Executive Board:	
Frede Clausen	86,636
Robert Andersen	86,636
Other executive staff	442,189
<b>Total</b>	<b>615,461</b>

**DIVIDENDS AND DIVIDEND POLICY**

TK Development's long-term policy is to distribute a portion of the year's profit as dividends or alternatively via a share repurchase programme. This will always be done with due regard for the Group's capital structure, solvency, cash resources and investment plans.

**ANNUAL GENERAL MEETING**

The General Meeting of shareholders is the supreme authority in all corporate matters of TK Development A/S, subject to the limitations provided by Danish law and TK Development A/S' Articles of Association. The Annual General Meeting must be held in the municipality where TK Development A/S' registered office is located sufficiently early to permit compliance with the Company's applicable time limits for the holding of General Meetings and the filing of Annual Reports. General Meetings are convened by the Board of Directors. The Annual General Meeting will be held at 3 p.m. on 28 April 2015 at Aalborg Kongres & Kultur Center, Radiosalen, Aalborg.

Extraordinary General Meetings are held following a resolution by the shareholders in General Meeting or the Board of Directors or at the request of the auditors of TK Development A/S or at the written request of shareholders collectively holding not less than 5 % of the total share capital.

All business transacted at General Meetings, with the exception of alterations to the Articles of Association or a resolution to dissolve the Company, is decided by a simple majority of votes unless otherwise provided by current legislation; see Article 6 of the Company's Articles of Association.

## SHAREHOLDERS

### REGISTERED SHARES

All shares are registered in book-entry form in accounts maintained in the computer system of VP Securities A/S, Weidekampsgade 14, PO Box 4040, 2300 Copenhagen S, Denmark, and must be held and managed through a Danish bank or other institution authorized to be registered as the custodian of the shares. The shares must be issued to named holders and may not be transferred to bearer.

### THE BOARD OF DIRECTORS' POWERS

#### Powers to issue new shares

The Board of Directors is authorized to increase the share capital by issuing new shares having a total nominal value of DKK 63,098,573 with a pre-emptive right for the Company's existing shareholders. In 2013 the Board of Directors exercised this authorization in respect of DKK 56,087,620, with the remaining authorization amounting to DKK 7,010,953. The increase of the share capital can be implemented against cash payment only.

Moreover, the Board of Directors is authorized to increase the Company's share capital by one or more issues during the period ending on 30 June 2015 by up to nominally DKK 659,818, without any pre-emptive rights for the Company's existing shareholders. This authorization is to be used for implementing the capital increases resulting from the exercise of warrants under the existing incentive scheme.

The authorization for the Board of Directors to subscribe for capital amounts to 7.8 % of the Company's share capital.

Moreover, at the Annual General Meeting in April 2015, the Board of Directors will recommend that the General Meeting authorize the Board of Directors to increase the Company's share capital by up to a total of nominally DKK 9,815,333, equal to 10 % of the share capital, without any pre-emptive rights for the Company's existing shareholders. The Board of Directors wants this authorization in order to be able to optimize the Group's financing and capital structure.

#### Treasury shares

At the Annual General Meeting in May 2010, the Board of Directors was authorized, on behalf of the Company, to acquire treasury shares having a nominal value of not more than 10 % of the share capital in order to optimize the Group's capital structure. The authorization is valid for a period of five years from the adoption of the resolution at the Annual General Meeting. At the Annual General Meeting in April 2015, the Board of Directors will recommend that the General Meeting extend the

authorization by a five-year period for the Board of Directors, on behalf of the Company, to acquire treasury shares having a nominal value of not more than 10 % of the total share capital in order for the Board to continue having this option to optimize the Group's capital structure.

### RULES ON INSIDER TRADING

TK Development's Management and employees are only allowed to trade in the Company's shares during the six-week period after the publication of annual and quarterly reports and any other comprehensive announcements of financial results. If Management or employees are in possession of inside information that may influence the pricing of TK Development's shares, they may not trade in the shares even during the six-week period. The Company keeps a register of the shares held by insiders, including any changes in their portfolios, and discloses this information in accordance with existing legislation.

### INVESTOR RELATIONS

TK Development aims to keep its shareholders and investors up-to-date on all relevant matters. Therefore, Management has adopted a communication strategy and IR policy to help underpin open and clear communication with all stakeholders, including the disclosure of information based on the principle of equal treatment of investors.

The Company's website, [www.tk-development.com](http://www.tk-development.com), includes all company announcements issued for the past five years, updated share prices and information about the Group's projects in progress. When investor presentations are published in connection with the announcement of annual and half-year financial results, they are also made available at the Company's website. All investor information is published in both Danish and English.

During the three-week lead-up to the quarterly presentation of financial statements, the Company does not issue statements pertaining to market-related and financial matters or to the Company's current development and position. In these silent periods in terms of IR communications, the Company's Management strives wherever possible to refrain from holding meetings for investors and similar activities.

Moreover, there is a direct link from TK Development A/S' website to the Nasdaq Copenhagen website ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)), which contains further information about the TK Development A/S share. Reference is also made to the description of corporate governance at the Company's website, [www](http://www).



tk-development.com.

**FINANCIAL CALENDAR**

Financial calendar	
Annual Report 2014/15	1 April 2015
Annual General Meeting	28 April 2015
Interim Report Q1 2015/16	17 June 2015
Interim Report H1 2015/16	16 September 2015
Interim Report Q1-Q3 2015/16	17 December 2015

TK Development's Board of Directors and Executive Board continue to focus on the recommendations for corporate governance, and the Board of Directors reassesses its policies for compliance with the recommendations at least once a year. In a few areas, the Company does not comply with the recommendations, but instead provides an explanation of its reasons for not complying with a specific recommendation. The Board of Directors is of the opinion that TK Development A/S lives up to the existing Recommendations on Corporate Governance.

A detailed review of the Board of Directors' policies for compliance with the recommendations issued by the Committee on Corporate Governance is available at [www.tk-development.com/cg\\_2014\\_15](http://www.tk-development.com/cg_2014_15).

The Committee recommendations not followed are listed below:

#### Corporate social responsibility

In light of the Company's size and activities and the Group's operating markets, the Board of Directors has decided not to adopt policies for corporate social responsibility. The Board will regularly assess the need for policies in this area.

#### Retirement age

TK Development attaches greater weight to competencies than to age and therefore has not fixed a retirement age limit for the members of the Board of Directors.

#### Audit committee

The Board of Directors believes that auditing is an issue that concerns all board members. For this reason, and given the complexity of the accounting procedures and the size of the Board of Directors, it has been considered appropriate not to set up an actual audit committee, but to let all board members function jointly as the audit committee.

#### Nomination committee

The Board of Directors has decided not to establish a nomination committee because, given its size, the Board of Directors finds that these tasks are best handled by the Board as a whole.

#### Content of remuneration policy

So far, the Board of Directors has decided not to set limits for how high a portion of the total remuneration may be constituted of variable components, as the amount of bonus will only be paid if a minimum 8 % return on equity is achieved. Until further

notice, the amount of bonus is expected to account for a minor portion only relative to the fixed pay elements.

As bonus is only paid if a minimum 8 % return on equity is achieved for an individual financial year, the Board of Directors assesses that the remuneration policy ensures constant alignment between the interests of the Executive Board and the shareholders. It has therefore been found unnecessary to establish criteria ensuring that the vesting period for variable pay elements, wholly or in part, is longer than one financial year.

## THE BOARD OF DIRECTORS

### Composition and rules regarding appointments and replacements

According to the Articles of Association, the Board of Directors must be composed of not less than four nor more than seven members. The Board of Directors is currently composed of six members elected by the General Meeting. Management considers the composition of the Board of Directors to be appropriate relative to the Company's current activities and requirements. In Management's opinion, the current members of the Board of Directors have the financial, strategic and commercial expertise required by an international business such as TK Development. The members of the Board of Directors are elected at the General Meeting of shareholders to serve for a term of one year at a time. Retiring board members are eligible for re-election.

The Board of Directors' competencies cover a wide spectrum, including strategic management, international relations, capital structure, the property sector, the retail trade, risk assessment and control, investor relations, business development as well as accounting and financial expertise.

The professional qualifications of the members of the Board of Directors are listed individually under the heading "The Board of Directors".

The Board of Directors considers all its members, with one exception, to be independent of the Company. Per Søndergaard Pedersen is not considered independent because he was previously a member of the Company's Executive Board and has held a seat on the Board of Directors for more than 12 years. Per Søndergaard Pedersen will not stand for re-election at the Annual General Meeting in April 2015.

### Self-evaluation

Once a year the Board of Directors systematically evaluates its work and competencies with a view to continuously improving

and streamlining its work.

The Chairman is in charge of this internal evaluation of the Board of Directors. To date, the Board of Directors has chosen to conduct a qualitative evaluation in the form of interviews and open, constructive dialogue with all members present at the same time. The evaluation is based on a predetermined list of subjects, including communication and collaboration, results achieved compared to targets set, short- and long-term composition of the Board of Directors, and the competencies of its members as well as any need for knowledge and skills development. Other relevant issues are considered on an ad-hoc basis. The mutual confidence of the members in each other automatically leads to a free exchange of opinions, and each member is encouraged to take an active part in discussions. If desired by any member or the Chairman, the members can be interviewed individually on any specific subject.

In the 2014/15 financial year the Board of Directors carried out an evaluation of the performance of its board duties. Management considers the composition of the Board of Directors to be appropriate relative to the Company's current activities and requirements. In Management's opinion, the current members of the Board of Directors have the financial, strategic and commercial expertise required by an international business such as TK Development. Moreover, the number of board members is considered appropriate, given the Company's needs. In the 2013/14 financial year it was decided to improve communication with the market, for one thing by changing the Group's internal and external reporting. In the Board of Directors' opinion, the results of this change have been satisfactory.

#### Number of Board of Directors meetings

The Board of Directors held seven board meetings in the 2014/15 financial year.

#### REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors are paid a fixed fee and are not covered by the Company's bonus and incentive schemes. No separate fee is paid for audit committee work as all members of the Board of Directors sit on this committee. Members of the Board of Directors are paid a basic fee. The Chairman is paid three times the basic fee, while the Deputy Chairman is paid twice the basic fee. As part of the cost cuts previously implemented by the Group, the basic fee for 2013/14 was reduced to DKK 160,000, and this lower fee level was maintained in 2014/15. Together with its proposal for adoption of the Annual Report for 2014/15, the Board of Direc-

tors will recommend to the Annual General Meeting that the basic fee be maintained at the current level of DKK 160,000 for 2015/2016.

#### REMUNERATION OF THE EXECUTIVE BOARD

##### Remuneration policy

Every year the Board of Directors assesses and determines the remuneration payable to the Executive Board members, based on the recommendation of the Chairman and Deputy Chairman. The overall pay package and its composition are determined by the results achieved, the Executive Board's competencies and the Board of Directors' wish to ensure that the Company can continue to attract, retain and motivate qualified executives. In this connection, the Board of Directors takes the Company's situation and general development into account. Every year, the Board of Directors reviews the remuneration payable to the Executive Board by comparing it to that payable to executive boards of other comparable companies with international activities.

The Executive Board's remuneration consists of a fixed and a variable portion. The variable remuneration consists of a short-term and a long-term incentive scheme. The overall pay package consists of a fixed salary, bonus, defined-contribution pension of 2 % of the basic salary and other benefits, including a company-provided car, telephone, IT solution and newspaper, as well as health insurance and warrants.

The remuneration policy appears from the Company's website, [www.tk-development.com](http://www.tk-development.com).

##### Remuneration

As part of the cost cuts implemented by the Group in January 2012, the remuneration of the Executive Board was reduced by 20 % for a 24-month period starting on 1 February 2012. Warrants were not granted to the Executive Board in 2013 and 2014. The remuneration of each individual member of the Executive Board appears from the Group's Annual Report. The remuneration for 2014/15 was also based on the guidelines adopted at the General Meeting in 2011, as no changes have been made to these guidelines. However, a two-year agreement has been made with the Executive Board, according to which a further 20 % of the Executive Board's annual fixed remuneration is not paid during the term of the agreement, equal to a 36 % reduction compared to the remuneration paid in the 2011/12 financial year. The agreement applies to the period from 1 May 2013 to 30 April 2015. During that period, the reduced fixed annual salary will amount to DKK 2.7 million for Frede Clausen and DKK



2.0 million for Robert Andersen. Up to two-thirds of the remuneration withheld during the two-year period will be paid when the Group meets specific operational targets, fixed as part of the previously described two-year transformation process that consists of realizing the initiatives adopted under the revised strategy. Warrants will not be granted to the Executive Board in 2015 either.

#### Retention and severance programmes

Under the Executive Board's service agreements, the individual Executive Board member may give notice of termination no later than three months after the occurrence of an extraordinary event (change of control), such termination to take effect 12 months after notice has been given. The Executive Board member may demand to be released from his or her duties during the period of notice, with the usual remuneration being payable during such period.

The Executive Board members are not subject to any other special severance terms. The term of notice for Executive Board members is 12 months on the part of the Company and six months on the part of the member.

It is company policy to ensure that Executive Board members have an incentive to work dedicatedly in the interests of the Company and its shareholders in the event of a merger, takeover bid or other extraordinary situations. Against this background, the Board of Directors may decide, on the basis of a specific assessment, to pay a retention bonus whereby Executive Board members receive a special consideration, however, not exceeding 12 months' fixed salary, for example in the event that the Company merges with another company or if another company takes over all the Company's activities, subject to the General Meeting's approval.

#### AUDIT COMMITTEE

The Board of Directors believes that auditing is an issue that concerns all board members. For this reason, and given the complexity of the accounting procedures, it has been considered appropriate not to set up an actual audit committee, but to let all board members function jointly as the audit committee. The terms of reference of the audit committee have been laid down, and, basically, four meetings are held each year.

The Company website contains information about the most important activities during the year, the number of audit committee meetings held and the terms of reference of the audit committee.

#### STATUTORY ANNUAL STATEMENT ON DIVERSITY

TK Development has chosen to present its Statutory Annual Statement on Diversity on its website instead of in the Management Commentary.

The Statement on Diversity is available at [www.tk-development.com/diversity\\_2014\\_15](http://www.tk-development.com/diversity_2014_15).

#### STATUTORY ANNUAL CORPORATE GOVERNANCE STATEMENT

TK Development has chosen to present its Statutory Annual Corporate Governance Statement on its website instead of in the Management Commentary.

The Corporate Governance Statement is available at [www.tk-development.com/cgs\\_14\\_15](http://www.tk-development.com/cgs_14_15).

#### STATUTORY ANNUAL CORPORATE SOCIAL RESPONSIBILITY STATEMENT; SEE SECTION 99A OF THE DANISH FINANCIAL STATEMENTS ACT

In addition to carrying on profitable business activities, TK Development intends to adhere to and expand the Group's ethical, social and environmental responsibilities as a business corporation.

TK Development fundamentally endorses the UN's ten social responsibility principles, but has not acceded to the UN Global Compact.

In light of the Company's size and activities and the Group's operating markets, the Board of Directors has decided not to adopt policies for the voluntary integration of corporate social responsibility or human rights and climate policies. The Board of Directors will regularly assess the need for policies in this area.

Name	Took office	Term of office ends	Birthday	Independence <sup>1)</sup>
Niels Roth (Chairman)	2007	April 2015	July 1957	Independent
Peter Thorsen (Deputy Chairman)	2012	April 2015	March 1966	Independent
Per Søndergaard Pedersen	2002	April 2015	March 1954	Not independent <sup>2)</sup>
Arne Gerlyng-Hansen	2013	April 2015	March 1956	Independent
Kim Mikkelsen	2013	April 2015	October 1968	Independent
Morten E. Astrup	2013	April 2015	July 1975	Independent

<sup>1)</sup> See section 3.2.1 in the Recommendations on Corporate Governance prepared by NASDAQ OMX Copenhagen.

<sup>2)</sup> Has served on the Board of Directors for more than 12 years and was previously a member of the Company's Executive Board.



**NIELS ROTH**

#### Chairman of the Board of Directors

Born July 1957  
 Joined the Board of Directors 2007  
 Term of office ends April 2015

#### Education

1983 MSc (Economics).

#### Employment

1989-2004 CEO of Carnegie Bank, and Group Head of Investment Banking in the Carnegie Group (2001-2002).  
 1997-2004 Member of the Danish Securities Council.  
 2001-2004 Chairman of the Danish Securities Dealers' Association.

#### Special competencies

Financial markets, capital structure, investment, accounting, investor relations.

#### Executive Board member

Zira Invest II ApS; Zira Invest III ApS.

#### Chairman of the Board of Directors

Fast Ejendom Danmark A/S; Friheden Invest A/S; Investeringsforeningen SmallCap Danmark; Porteføljeselskab A/S; SmallCap Danmark A/S.

#### Member of the Board of Directors

Arvid Nilssons Fond; A/S Rådhusparken; A/S Sadolinparken; Kirk Kapital A/S; Realdania.

#### Board committees and other posts

None.



**PETER THORSEN**

#### Deputy Chairman

Born March 1966  
 Joined the Board of Directors 2012  
 Term of office ends April 2015

#### Education

1992 MSc (Business Administration and Auditing).

#### Employment

1992-1994 Accountant, More Stevens.  
 1994-1997 Marketing Manager, Group CFO & International Controller, KEW Industri A/S.  
 1997-1997 Finance Manager, Electrolux Hvidevarer A/S.  
 1997-1998 Finance Manager, Marwi International A/S (Incentive A/S).  
 1998-2000 CEO, Basta Group A/S.  
 2001-2005 CEO, Bison A/S.  
 2005-2008 CEO, Louis Poulsen Lighting A/S.  
 2007-2008 Group Chief Executive, Targetti Poulsen.  
 2008- CEO, Kirk & Thorsen Invest A/S.

#### Special competencies

Strategic management, accounting and finances, business development.

#### Executive Board member

EBP Holding A/S; Kirk & Thorsen A/S; Kirk & Thorsen Invest A/S; Modulex Holding ApS.

#### Chairman of the Board of Directors

Biblioteksmedier A/S; BoConcept A/S; BoConcept Holding A/S; Genan A/S; Genan Business & Development A/S; Genan Holding A/S; Genan Invest A/S; Modulex A/S.

#### Member of the Board of Directors

Droob ApS; EBP Holding A/S; Kirk & Thorsen A/S; Kirk & Thorsen Invest A/S; Starco Europe A/S.

#### Board committees and other posts

Chairman of the Executive Committee, Sct. Maria Hospice.

## THE BOARD OF DIRECTORS



**PER SØNDERGAARD PEDERSEN**

Born March 1954  
 Joined the Board of Directors 2002  
 Term of office ends April 2015

### Education

Trained with Sparekassen Nordjylland (Spar Nord Bank).

### Employment

1983-1986 Head of the business department at Sparekassen Nordjylland headquarters, Østeraa branch.  
 1986-1989 Regional manager, Sparekassen Nordjylland, Hasseris branch.  
 1989-2002 CEO, TK Development A/S.

### Special competencies

Retail trade, property sector, financial markets, business development, investor relations.

### Executive Board member

A.S.P. Ejendom ApS; JA Plastindustri Holding A/S; PSP Holding ApS; PPSH Holding ApS.

### Chairman of the Board of Directors

AG I A/S; Arne Andersen A/S; Athene Group A/S; Bjørk & Maigård Holding ApS; Conscensia A/S; Conscensia Holding A/S; dansk boligstål a/s; EIPE Holding A/S; GLC Management Invest ApS; Global Car Leasing A/S; Global Car Splitleasing A/S; Ib Andersen A/S; Ib Andersen A/S Øst; Ib Andersen Ventilation A/S; J.A. Plastindustri A/S; K/S Waren; Lindgaard A/S – Rådgivende Ingeniører F.R.I.; Nowaco A/S; P.J. Skovværktøj ApS; Restaurant Fusion A/S; Tech-Tool A/S.

### Member of the Board of Directors

A.A. Frederikshavn A/S; Arkitekterne Bjørk & Maigård ApS; Arne Andersen, Vrå A/S, Byggegrunde; Discovery A/S; Ejendomsmægleraktieselskabet Thorkild Kristensen; Ejendomsmægleraktieselskabet Thorkild Kristensen Bolig; Ejendomsmægleraktieselskabet Thorkild Kristensen, Blokhus; Ejendomsmægleraktieselskabet Thorkild Kristensen Erhverv; Exclusive Travel Collection ApS; Hjallerup Maskinforretning A/S; Homekit A/S; Investeringsforeningen SmallCap Danmark; JA Plastindustri Holding A/S; K/S Danske Dagligvarebutikker; Peacock A/S; PL Holding Aalborg A/S; P L Invest, Aalborg ApS; Porteføljeselskab A/S; Remergy A/S (Deputy Chairman); SmallCap Danmark A/S; ST Holding Aalborg A/S; Systemteknik A/S (Deputy Chairman); Tech2Tech ApS; Tom Anton Andersen Reklamebureau A/S; Tom Anton Holding A/S; Ungbo Danmark A/S; Ungbo Danmark, Aalborg A/S; Ungbo Danmark, Holding A/S; Ungbo Danmark, København A/S; Ungbo Danmark, Odense A/S; Ungbo Danmark, Projekt A/S; Ungbo Danmark, Randers A/S; Wahlberg VVS A/S.

### Board committees and other posts

None.



**ARNE GERLYNG-HANSEN**

Born March 1956  
 Joined the Board of Directors 2013  
 Term of office ends April 2015

### Education

1981 Law graduate from the University of Copenhagen.  
 1984 Attorney-at-law.

### Employment

1981-1983 The law office of Advokaterne Amaliegade 4, Copenhagen K.  
 1983-2004 The law office of Nielsen Nørager, Frederiksberggade 16, Copenhagen K.  
 1985-1992 Tutor and associate professor in the law of obligations at the University of Copenhagen.  
 2004- CEO, Harald Nyborg A/S.

### Special competencies

Retail trade, law, management and business development.

### Executive Board member

Arpema ApS; Arpema Holding ApS; ApS KBUS 8 NR. 2454; Dacabo-HN Komplementarselskab; Divan 6 A/S; Ejby Industrivej 3-29 A/S; Harald 1 ApS; Harald Fix A/S; Harald Glostrup Komplementaranpartsselskab; Harald Nyborg A/S; Harald Slagelse Komplementaranpartsselskab; Harald-Gladsaxe Komplementaranpartsselskab; HN Research Holding A/S; K/S Harald Skåne I; Komplementarselskabet Skerrisvej, Brande; Lady & Kid A/S; Skerris Holding A/S.

### Chairman of the Board of Directors

Habro a/s; Habro Finans a/s; Habro Fondsmæglerselskab a/s; Habro Fund Management a/s; Habro Holding ApS.

### Member of the Board of Directors

A/S Daells Bolighus; ApS KBUS 8 NR. 2454; Bernstorff Slot ApS (Deputy Chairman); Company Water A/S; Company Water International A/S; Dacabo-HN Komplementarselskab; Danish Bottling Company A/S; Divan 6 A/S; Ejby Industrivej 3-29 A/S; Harald 1 ApS; Harald 2000 A/S; Harald Auto A/S; Harald Fix A/S; Harald Glostrup Komplementaranpartsselskab; Harald Nyborg Byggeselskab ApS; Harald Parat I Komplementarselskab; Harald Research A/S; Harald Skåne I ApS; Harald Slagelse Komplementaranpartsselskab; Harald-Gladsaxe Komplementaranpartsselskab; HN Research Holding A/S; jem & fix A/S; K/S Dacabo; K/S Fraugde; K/S Harald Gladsaxe; K/S Harald Glostrup; K/S Harald Parat I; K/S Harald Skåne I; K/S Harald Slagelse; K/S Lady & Kid; K/S Skerrisvej, Brande; Kid-Holding ApS; Komplementarselskabet Skerrisvej, Brande; Lady & Kid A/S; Skerris Holding A/S.

### Board committees and other posts

Member of Sydbank's Committee of Representatives and of Community Council Funen.


**KIM MIKKELSEN**

Born October 1968  
 Joined the Board of Directors 2013  
 Term of office ends April 2015

**Education**

1989 Savings bank school 1.  
 1991 Savings bank school 2.  
 1991-1994 Graduate Diploma studies (Financing).

**Employment**

1994-1997 Swiss Bank Corp. – Head of Nordic Fixed Income Trading.  
 1997-1999 RBS Greenwich Capital - Director, Proprietary Trading.  
 1999-2002 SEB MERCHANT BANKING - Head of Mortgage Risk & Trading.  
 2003-2009 Nordic Asset Management A/S - CIO and majority owner.

**Special competencies**

Financial affairs, investment and management.

**Executive Board member**

København Håndbold A/S; Nordic Sports Management ApS; Nordic Wine Invest ApS; Proinvestor ApS; Strategic Capital ApS; Strategic Investments A/S; Strategic Venture Capital ApS.

**Chairman of the Board of Directors**

Hjemmehjælpen A/S.

**Member of the Board of Directors**

Innogie ApS; København Håndbold A/S; NTR Holding A/S; Proinvestor ApS; Storm Real Estate ASA, Norway; Strategic Investments A/S.

**Board committees and other posts**

Member of the Committee of Representatives, Fynske Bank; member of the audit committee, Storm Real Estate ASA, Norway.


**MORTEN E. ASTRUP**

Born July 1975  
 Joined the Board of Directors 2013  
 Term of office ends April 2015

**Education**

1990-1992 GCSE examinations, Institute Le Rosey, Rolle-Gstaad, Switzerland.  
 1992-1994 International Baccalaureate, Berg Videregående Skole, Norway.  
 1998 Exchange programme at City University, London.  
 1995-1999 Norwegian School of Management, Sandvika, Norway. Specialized in shipping - worked full time from 1997 while completing studies.

**Employment**

1997 Financial Director, InfoStream ASA, Oslo.  
 1997-2000 Financial Adviser, Ørn Rådgivning AS, Oslo.  
 1997-2006 Portfolio Manager, Ørn Norden AS, Oslo.  
 2006- Founding partner and CIO, Storm Capital Management Ltd., London.

**Special competencies**

Real estate investments, financing and business development.

**Executive Board member**

Storm Capital Management Ltd., UK.

**Chairman of the Board of Directors**

Aconcagua Management Ltd., Bermuda; Neptune Properties AS, Norway; Storm Bond AS, Norway; Storm Bond Fund SICAV, Luxembourg; Storm Nordic Fund SICAV, Luxembourg; SurfSide Holding AS, Norway; Storm Capital Partners Ltd., British Virgin Islands; Svalbard Adventure Group AS, Norway.

**Member of the Board of Directors**

Bjørgvin AS, Norway; Storm Capital Management Ltd., UK; Storm Real Estate ASA, Norway (Deputy Chairman); Ørn Norden AS, Norway.

**Board committees and other posts**

None.

## THE EXECUTIVE BOARD



FREDE CLAUSEN

**President and CEO**

Born on 30 July 1959

Member of the Executive Board of TK Development A/S since 1992

**Executive Board member**

Frede Clausen Holding ApS.

**Chairman of the Board of Directors**

Ahlgade 34-36 A/S \*; Ringsted Outlet Center P/S \*; SPV Ringsted ApS \*; Step Re CSP Invest I A/S \*; Udviklingsselskabet Nordkranen A/S \*.

**Member of the Board of Directors**

Euro Mall Luxembourg JV S.à r.l. \*; Euro Mall Ventures S.à r.l. \*; Kommanditaktieselskabet Danlink-Udvikling \*; Komplementarselskabet Beddingen ApS \*; Komplementarselskabet DLU ApS \*; The Yard, Beddingen P/S \*; K/S Købmagergade 59, st.; Palma Ejendomme A/S; PE Skagen ApS.

**Board committees and other posts**

None.



ROBERT ANDERSEN

**Executive Vice President**

Born on 3 April 1965

Member of the Executive Board of TK Development A/S since 2002

**Executive Board member**

Amerika Plads C P/S \*; Komplementarselskabet Amerika Plads C ApS \*; Ringsted Outlet Center P/S \*; Ringsted Retail Company ApS \*; SPV Ringsted ApS \*; Palma Ejendomme A/S; PE Skagen ApS.

**Chairman of the Board of Directors**

None.

**Member of the Board of Directors**

Ahlgade 34-36 A/S \*; Ejendomsselskabet Smallegade P/S \*; Kommanditaktieselskabet Danlink-Udvikling \*; Kommanditaktieselskabet Østre Havn \*; Komplementarselskabet Beddingen ApS \*; Komplementarselskabet DLU ApS \*; Komplementarselskabet Smallegade ApS \*; Ringsted Outlet Center P/S \*; SPV Ringsted ApS \*; The Yard, Beddingen P/S \*; Udviklingsselskabet Nordkranen A/S \*; Østre Havn Aalborg ApS \*; Palma Ejendomme A/S; PE Skagen ApS.

**Board committees and other posts**

None.

\*) The companies form part of the TK Development Group and are partly owned, directly or indirectly, by TK Development A/S.





## STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD ON THE ANNUAL REPORT

The Board of Directors and Executive Board have today considered and adopted the Annual Report of TK Development A/S for the financial year from 1 February 2014 to 31 January 2015. The Annual Report is presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports prepared by listed companies.

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and Company's financial position at 31 January 2015 and of the results of the Group's and Company's operations and cash flows for the financial year from 1 February 2014 to 31 January 2015.

Moreover, we consider the Management Commentary to give a fair presentation of the development in the Group's and Company's activities and financial affairs, the results for the year and the Company's and Group's overall financial position, as well as a true and fair description of the most significant risks and elements of uncertainty faced by the Company and the Group.

We recommend that the 2014/15 Annual Report be adopted by the Annual General Meeting of shareholders.

Aalborg, 27 March 2015

### EXECUTIVE BOARD

**Frede Clausen**  
President and CEO

**Robert Andersen**  
Executive Vice President

### BOARD OF DIRECTORS

**Niels Roth**  
Chairman

**Peter Thorsen**  
Deputy Chairman

**Per Søndergaard Pedersen**

**Arne Gerlyng-Hansen**

**Kim Mikkelsen**

**Morten E. Astrup**

**To the shareholders of TK Development A/S  
Report on the consolidated financial statements and parent  
financial statements**

We have audited the consolidated financial statements and parent financial statements of TK Development A/S for the financial year 1 February 2014 - 31 January 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

**Management's responsibility for the consolidated financial  
statements and parent financial statements**

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including

the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 January 2015, and of the results of their operations and cash flows for the financial year 1 February 2014 - 31 January 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

**Statement on the management commentary**

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 27 March 2015

**DELOITTE**

Statsautoriseret Revisionspartnerselskab

**René H. Christensen**

State-authorized public accountant

**Jan Bo Hansen**

State-authorized public accountant



## CONSOLIDATED FINANCIAL STATEMENTS

### INCOME STATEMENT

DKKm	Note	2014/15	2013/14
Net revenue	5	854.7	330.7
External direct project costs	6	-757.9	-218.7
Value adjustment of investment properties, net		-3.5	-9.5
<b>Gross profit/loss</b>		<b>93.3</b>	<b>102.5</b>
Other external expenses	7	23.9	26.6
Staff costs	8	56.5	63.8
<b>Total</b>		<b>80.4</b>	<b>90.4</b>
<b>Profit/loss before financing and depreciation</b>		<b>12.9</b>	<b>12.1</b>
Depreciation and impairment of non-current assets		0.6	1.4
<b>Operating profit/loss</b>		<b>12.3</b>	<b>10.7</b>
Income from investments in joint ventures	12	30.1	37.5
Income from investments in associates	11	-9.7	-4.1
Financial income	13	5.0	8.6
Financial expenses	14	-62.9	-95.5
<b>Total</b>		<b>-37.5</b>	<b>-53.5</b>
<b>Profit/loss before tax</b>		<b>-25.2</b>	<b>-42.8</b>
Tax on profit/loss for the year	15	12.5	6.2
<b>Profit/loss for the year</b>		<b>-37.7</b>	<b>-49.0</b>

### EARNINGS PER SHARE IN DKK

Earnings per share (EPS)	16	-0.4	-0.7
Diluted earnings per share (EPS-D)	16	-0.4	-0.7

### COMPREHENSIVE INCOME STATEMENT

Profit/loss for the year		-37.7	-49.0
<b>Items that may be re-classified to profit/loss:</b>			
Foreign-exchange adjustments, foreign operations		0.9	-13.1
Value adjustments of hedging instruments		0.2	-2.3
Tax on other comprehensive income		-2.4	2.8
Other comprehensive income after tax from joint ventures		-5.4	6.1
<b>Other comprehensive income for the year</b>		<b>-6.7</b>	<b>-6.5</b>
<b>Comprehensive income for the year</b>		<b>-44.4</b>	<b>-55.5</b>

## CONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 Jan 2015	31 Jan 2014	1 Feb 2013
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	18	33.3	33.3	33.3
<b>Intangible assets</b>		<b>33.3</b>	33.3	33.3
Other fixtures and fittings, tools and equipment		1.0	1.3	2.5
<b>Property, plant and equipment</b>		<b>1.0</b>	1.3	2.5
Investment properties	19	78.1	103.2	167.3
<b>Investment properties</b>		<b>78.1</b>	103.2	167.3
Investments in joint ventures	12	171.9	470.5	400.5
Investments in associates	11	3.2	2.6	1.7
Receivables from joint ventures		124.2	145.8	213.3
Receivables from associates		4.7	4.6	4.6
Other securities and investments		14.2	0.3	0.8
<b>Financial assets</b>		<b>318.2</b>	623.8	620.9
Deferred tax assets	20	114.7	121.6	126.2
<b>Other non-current assets</b>		<b>114.7</b>	121.6	126.2
<b>Non-current assets</b>		<b>545.3</b>	883.2	950.2
<b>Current assets</b>				
<b>Projects in progress or completed</b>	21	<b>2,121.7</b>	2,334.6	2,394.7
Trade receivables	22	71.4	25.6	45.8
Receivables from associates		1.9	12.0	19.0
Corporate income tax receivable		0.1	1.3	3.2
Other receivables		19.4	19.2	34.1
Prepayments		11.9	15.1	19.1
<b>Receivables</b>		<b>104.7</b>	73.2	121.2
Other securities and investments	23	4.1	4.0	4.3
Deposits in blocked and escrow accounts		45.8	46.0	32.7
Cash and cash equivalents		23.6	6.1	6.2
<b>Current assets</b>		<b>2,299.9</b>	2,463.9	2,559.1
<b>ASSETS</b>		<b>2,845.2</b>	3,347.1	3,509.3



## CONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 Jan 2015	31 Jan 2014	1 Feb 2013
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	24	98.2	98.2	631.0
Other reserves	25	-7.9	587.7	5.3
Retained earnings		1,419.1	867.8	753.4
<b>Equity</b>		<b>1,509.4</b>	<b>1,553.7</b>	<b>1,389.7</b>
<b>Liabilities</b>				
Credit institutions	26	0.0	52.0	0.0
Debt to joint ventures		0.0	20.7	22.4
Provisions	27	0.5	0.0	2.3
Deferred tax liabilities	20	19.3	21.9	23.9
Other debt	29	0.0	0.0	1.5
<b>Non-current liabilities</b>		<b>19.8</b>	<b>94.6</b>	<b>50.1</b>
Credit institutions	26	1,195.3	1,566.6	1,925.0
Trade payables		49.1	53.4	53.9
Corporate income tax		6.9	5.7	5.0
Provisions	27	15.0	9.6	13.1
Other debt	29	43.9	56.2	62.1
Deferred income		5.8	7.3	10.4
<b>Current liabilities</b>		<b>1,316.0</b>	<b>1,698.8</b>	<b>2,069.5</b>
<b>Liabilities</b>		<b>1,335.8</b>	<b>1,793.4</b>	<b>2,119.6</b>
<b>EQUITY AND LIABILITIES</b>		<b>2,845.2</b>	<b>3,347.1</b>	<b>3,509.3</b>



## CONSOLIDATED FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2013	631.0	5.3	753.4	1,389.7
Profit/loss for the year	0.0	0.0	-49.0	-49.0
Other comprehensive income for the year	0.0	-6.5	0.0	-6.5
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>-6.5</b>	<b>-49.0</b>	<b>-55.5</b>
Capital decrease	-588.9	588.9	0.0	0.0
Capital increase	56.1	0.0	0.0	56.1
Premium on capital increase	0.0	174.4	0.0	174.4
Costs of share issue	0.0	-11.6	0.0	-11.6
Premium on capital increase transferred to distributable reserves	0.0	-162.8	162.8	0.0
Share-based payment	0.0	0.0	0.6	0.6
<b>Equity at 31 January 2014</b>	<b>98.2</b>	<b>587.7</b>	<b>867.8</b>	<b>1,553.7</b>
Profit/loss for the year	0.0	0.0	-37.7	-37.7
Other comprehensive income for the year	0.0	-6.7	0.0	-6.7
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>-6.7</b>	<b>-37.7</b>	<b>-44.4</b>
Special reserve transferred to distributable reserves	0.0	-588.9	588.9	0.0
Share-based payment	0.0	0.0	0.1	0.1
<b>Equity at 31 January 2015</b>	<b>98.2</b>	<b>-7.9</b>	<b>1,419.1</b>	<b>1,509.4</b>



## CONSOLIDATED FINANCIAL STATEMENTS

### CASH FLOW STATEMENT

DKKm	2014/15	2013/14
Operating profit/loss	12.3	10.7
Adjustments for non-cash items:		
Value adjustment of investment properties, net	3.5	9.5
Depreciation and impairment	64.3	-7.5
Share-based payment	0.1	0.6
Provisions	5.9	-5.6
Foreign-exchange adjustment	-5.8	-11.6
Increase/decrease in investments in projects, etc.	138.2	59.9
Increase/decrease in receivables	-42.9	33.6
Changes in deposits on blocked and escrow accounts	0.2	-13.4
Increase/decrease in payables and other debt	-76.3	-9.3
<b>Cash flows from operations</b>	<b>99.5</b>	<b>66.9</b>
Interest paid, etc.	-72.8	-101.9
Interest received, etc.	4.6	8.4
Corporate income tax paid	-7.7	1.3
<b>Cash flows from operating activities</b>	<b>23.6</b>	<b>-25.3</b>
Investments in equipment, fixtures and fittings	-0.2	-0.2
Sale of investment properties	21.4	54.3
Dividend from associates	0.0	2.0
Increase/decrease in receivables from joint ventures	21.5	53.8
Sale of joint ventures	397.1	6.5
Investments in joint ventures	-11.0	-10.3
Purchase of securities and investments	-14.1	-0.1
Sale of securities and investments	0.2	0.8
<b>Cash flows from investing activities</b>	<b>414.9</b>	<b>106.8</b>
Raising of project financing	40.3	25.8
Reduction of project financing/repayments, credit institutions	-461.4	-325.8
Capital increase	0.0	230.5
Costs of share issue	0.0	-11.6
<b>Cash flows from financing activities</b>	<b>-421.1</b>	<b>-81.1</b>
<b>Cash flows for the year</b>	<b>17.4</b>	<b>0.4</b>
Cash and cash equivalents, beginning of year	6.1	6.2
Foreign-exchange adjustment of cash and cash equivalents	0.1	-0.5
<b>Cash and cash equivalents at year-end</b>	<b>23.6</b>	<b>6.1</b>

The figures in the cash flow statement cannot be inferred from the consolidated financial statements alone.

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## NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS

IFRS 11 replaces IAS 31, Interests in Joint Ventures. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. A joint venture is defined as a joint arrangement whereby joint controlling parties ("joint venturers") have rights to the net assets of the arrangement.

The Management of TK Development has reassessed the classification of the Group's investments in joint arrangements in accordance with IFRS 11. In this connection Management has concluded that all the partly owned enterprises that are jointly controlled with other parties, and which have previously been included in the consolidated financial statements by pro-rata consolidation, are to be classified as joint ventures.

The equity method is to be used for recognizing investments in joint ventures, as the option for pro-rata consolidation of such investments was eliminated in connection with the withdrawal of IAS 31. The amendment affects a great number of items in the income statement, assets and liabilities, and the overall result is a reduction of the Group's balance sheet total. The amendment has no impact on either the results or the equity of the Group.

In accordance with the provisions regarding the applicability of IFRS 11, the change from pro-rata consolidation to the equity method in the accounting policies has been implemented with retroactive effect. The carrying amount of the investment at 1 February 2013 has been determined at the sum total of the carrying amounts of the assets and liabilities that the Group previously recognized by means of pro-rata consolidation. In accordance with the provisions regarding the applicability of IFRS 11, the effect on the comparative figures for 2013/14 and balance sheet at 1 February 2013/14 is shown. The effect is outlined below.

### Comprehensive income statement, 1 February 2013 to 31 January 2014

DKKm	Based on previous accounting policies	Impact of IFRS 11	Based on new accounting policies
Net revenue	407.0	-76.3	330.7
External direct project costs	-228.2	9.5	-218.7
Value adjustment of investment properties, net	-14.9	5.4	-9.5
<b>Gross profit/loss</b>	<b>163.9</b>	<b>-61.4</b>	<b>102.5</b>
Other external expenses	27.2	-0.6	26.6
Staff costs	63.8	-	63.8
Depreciation and impairment of non-current assets	1.4	-	1.4
<b>Operating profit/loss</b>	<b>71.5</b>	<b>-60.8</b>	<b>10.7</b>
Income from investments in joint ventures	-	37.5	37.5
Income from investments in associates	-4.1	-	-4.1
Financial income	5.5	3.1	8.6
Financial expenses	-107.9	12.4	-95.5
<b>Profit/loss before tax</b>	<b>-35.0</b>	<b>-7.8</b>	<b>-42.8</b>
Tax on profit/loss for the year	14.0	-7.8	6.2
<b>Profit/loss for the year</b>	<b>-49.0</b>	<b>-</b>	<b>-49.0</b>

The changes in accounting policies has no effect on other comprehensive income in the consolidated financial statement.

### Cash flow statement 1 February 2013 to 31 January 2014

Cash flows from operating activities	55.6	-80.9	-25.3
Cash flows from investing activities	47.7	59.1	106.8
Cash flows from financing activities	-94.0	12.9	-81.1
<b>Changes in cash and cash equivalents</b>	<b>9.3</b>	<b>-8.9</b>	<b>0.4</b>
Cash and cash equivalents, beginning of year	31.2	-25.0	6.2
Foreign-exchange adjustments of cash and cash equivalents	-1.8	1.3	-0.5
<b>Cash and cash equivalents, end of year</b>	<b>38.7</b>	<b>-32.6</b>	<b>6.1</b>

## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS, CONTINUED

#### Balance sheet as at 1 February 2013

DKKm	Based on previous accounting policies	Impact of IFRS 11	Based on new accounting policies
<b>Assets</b>			
Goodwill	33.3	-	33.3
Other fixtures and fittings, tools and equipment	2.5	-	2.5
Investment properties	479.4	-312.1	167.3
Investment properties under construction	16.9	-16.9	-
Investments in joint ventures	-	400.5	400.5
Investments in associates	1.7	-	1.7
Receivables from joint ventures	-	213.3	213.3
Receivables from associates	4.6	-	4.6
Other securities and investments	0.8	-	0.8
Deferred tax assets	127.0	-0.8	126.2
<b>Non-current assets</b>	<b>666.2</b>	<b>284.0</b>	<b>950.2</b>
Projects in progress or completed	3,030.9	-636.2	2,394.7
Trade receivables	73.2	-27.4	45.8
Receivables from associates	19.0	-	19.0
Corporate income tax receivable	4.0	-0.8	3.2
Other receivables	122.4	-88.3	34.1
Prepayments	22.4	-3.3	19.1
Other securities and investments	4.3	-	4.3
Deposits in blocked and escrow accounts	35.7	-3.0	32.7
Cash and cash equivalents	31.2	-25.0	6.2
<b>Currents assets</b>	<b>3,343.1</b>	<b>-784.0</b>	<b>2,559.1</b>
<b>Assets</b>	<b>4,009.3</b>	<b>-500.0</b>	<b>3,509.3</b>
<b>Equity and liabilities</b>			
Share capital	631.0	-	631.0
Other reserves	5.3	-	5.3
Retained earnings	753.4	-	753.4
<b>Equity</b>	<b>1,389.7</b>	<b>-</b>	<b>1,389.7</b>
Credit institutions	102.2	-102.2	-
Provisions	2.3	-	2.3
Debt to joint ventures	-	22.4	22.4
Deferred tax liabilities	35.0	-11.1	23.9
Other debt	1.5	-	1.5
<b>Non-current liabilities</b>	<b>141.0</b>	<b>-90.9</b>	<b>50.1</b>
Credit institutions	2,189.1	-264.1	1,925.0
Trade payables	106.3	-52.4	53.9
Corporate income tax	5.0	-	5.0
Provisions	13.1	-	13.1
Other debt	150.2	-88.1	62.1
Deferred income	14.9	-4.5	10.4
<b>Current liabilities</b>	<b>2,478.6</b>	<b>-409.1</b>	<b>2,069.5</b>
<b>Liabilities</b>	<b>2,619.6</b>	<b>-500.0</b>	<b>2,119.6</b>
<b>Equity and liabilities</b>	<b>4,009.3</b>	<b>-500.0</b>	<b>3,509.3</b>





## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. IMPACT OF IFRS 11, JOINT ARRANGEMENTS, CONTINUED

Balance sheet as at 31 January 2014

DKKm	Based on previous accounting policies	Impact of IFRS 11	Based on new accounting policies
<b>Assets</b>			
Goodwill	33.3	-	33.3
Other fixtures and fittings, tools and equipment	1.4	-0.1	1.3
Investment properties	411.7	-308.5	103.2
Investment properties under construction	24.2	-24.2	-
Investments in joint ventures	-	470.5	470.5
Investments in associates	2.6	-	2.6
Receivables from joint ventures	-	145.8	145.8
Receivables from associates	4.6	-	4.6
Other securities and investments	0.3	-	0.3
Deferred tax assets	122.6	-1.0	121.6
<b>Non-current assets</b>	<b>600.7</b>	<b>282.5</b>	<b>883.2</b>
Projects in progress or completed	2,986.0	-651.4	2,334.6
Trade receivables	54.1	-28.5	25.6
Receivables from associates	12.0	-	12.0
Corporate income tax receivable	1.7	-0.4	1.3
Other receivables	77.2	-58.0	19.2
Prepayments	17.8	-2.7	15.1
Other securities and investments	4.0	-	4.0
Deposits in blocked and escrow accounts	47.4	-1.4	46.0
Cash and cash equivalents	38.7	-32.6	6.1
<b>Currents assets</b>	<b>3,238.9</b>	<b>-775.0</b>	<b>2,463.9</b>
<b>Assets</b>	<b>3,839.6</b>	<b>-492.5</b>	<b>3,347.1</b>
<b>Equity and liabilities</b>			
Share capital	98.2	-	98.2
Other reserves	587.7	-	587.7
Retained earnings	867.8	-	867.8
<b>Equity</b>	<b>1,553.7</b>	<b>-</b>	<b>1,553.7</b>
Credit institutions	108.0	-56.0	52.0
Debt to joint ventures	-	20.7	20.7
Deferred tax liabilities	35.0	-13.1	21.9
<b>Non-current liabilities</b>	<b>143.0</b>	<b>-48.4</b>	<b>94.6</b>
Credit institutions	1,881.6	-315.0	1,566.6
Trade payables	95.3	-41.9	53.4
Corporate income tax	6.5	-0.8	5.7
Provisions	9.6	-	9.6
Other debt	139.0	-82.8	56.2
Deferred income	10.9	-3.6	7.3
<b>Current liabilities</b>	<b>2,142.9</b>	<b>-444.1</b>	<b>1,698.8</b>
<b>Liabilities</b>	<b>2,285.9</b>	<b>-492.5</b>	<b>1,793.4</b>
<b>Equity and liabilities</b>	<b>3,839.6</b>	<b>-492.5</b>	<b>3,347.1</b>

## NOTE 2. ACCOUNTING POLICIES

The consolidated financial statements for 2014/15 for TK Development A/S are presented in compliance with the International Financial Reporting Standards, as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports of listed companies; see the Executive Order on IFRS issued in pursuance of the Danish Financial Statements Act. TK Development A/S is a public limited company with its registered office in Denmark.

All figures in the consolidated financial statements are presented in DKK million, unless otherwise stated. DKK is the presentation currency for the Group's activities and the functional currency of the Parent Company.

The consolidated financial statements are presented on the basis of historical cost, with the exception of investment properties, derivative financial instruments and financial assets classified as available for sale, which are measured at fair value.

### IMPLEMENTATION OF NEW AND AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS ISSUED BY IFRIC

The consolidated financial statements for 2014/15 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2014.

With effect from 1 February 2014, the Group implemented a number of new and amended financial reporting standards and IFRIC interpretations. The implementation of these standards and interpretations has impacted neither earnings per share nor diluted earnings per share.

The clarification in IAS 32, Financial Instruments, regarding the offsetting of financial assets and financial liabilities has resulted in a restatement of the comparative figures in the five-year summary, as the previous offsetting practice does not meet the more specifically defined criteria for offsetting.

The implementation of IFRS 11, Joint Arrangements, has resulted in changes to the Group's accounting policies. The comparative figures have been restated accordingly. Therefore, the consolidated financial statements also present a statement of financial position (balance sheet) as at the beginning of the comparative year in accordance with the requirements of IAS 1. The effects of implementing IFRS 11 appear from note 1.

Apart from this, the accounting policies have been consistently applied compared to last year. The accounting policies are set out below.

### FINANCIAL REPORTING STANDARDS AND IFRIC INTERPRETATIONS NOT YET IN FORCE

At the date of publication of this Annual Report, a number of new or amended financial reporting standards and IFRIC interpretations had not yet entered into force or been adopted by the EU. Thus, they have not been incorporated into the Annual Report. Other than those stated below, none of these standards and interpretations are expected to materially affect the annual reports for the next financial years, with the exception of the additional disclosure requirements following from the relevant standards and interpretations.

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and the related IFRIC interpretations. IFRS 15 provides a single, but comprehensive model to be applied to revenue recognition and contains much more guidance on interpretation of the rules than IAS 18 and IAS 11. Moreover, IFRS 15 contains special rules on the recognition of costs related to obtaining or fulfilling contracts with customers as well as increased disclosure requirements. Any effects for TK Development, and any monetary impact, cannot yet be disclosed, as this will require further analysis.

### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the Parent Company, TK Development A/S, and the enterprises controlled by the Parent Company. The Parent Company is considered to exercise control when it holds more than 50 % of the voting rights, whether directly or indirectly, or otherwise may exercise or actually exercises control.

Enterprises in which the Group holds between 20 % and 50 % of the voting rights, whether directly or indirectly, and thus has significant influence, but not a controlling interest, are considered associates.

Enterprises jointly controlled with other investors are considered joint ventures.

Consolidated financial statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries by adding together items of a uniform nature. The

**NOTE 2. ACCOUNTING POLICIES, CONTINUED**

financial statements on which the consolidated financial statements are based are prepared in accordance with the accounting policies applied by the Group. The items in the subsidiaries' financial statements are fully recognized in the consolidated financial statements.

On consolidation, intercompany income and expenses, shareholdings, balances and dividends as well as gains on transactions between consolidated enterprises are eliminated. Losses are eliminated to the extent that no impairment has occurred.

The consolidated financial statements include subsidiaries, joint ventures and associates throughout the period of ownership.

**BUSINESS COMBINATIONS**

Newly acquired or newly established enterprises are recognized in the consolidated financial statements as from the date of acquisition or establishment. The date of acquisition is the date on which control of the enterprise is effectively transferred to the acquirer. Sold or wound-up enterprises are recognized in the consolidated income statement until the date of sale or winding-up. Comparative figures are not adjusted for newly acquired, sold or wound-up enterprises.

Upon the acquisition of new enterprises in which the Group gains a controlling interest in the acquired enterprise, the purchase method is used, which means that the identifiable assets, liabilities and contingent liabilities of the newly acquired enterprises are measured at fair value at the acquisition date. Restructuring provisions are only recognized in the transfer balance sheet if they constitute a liability for the enterprise acquired. The tax effect of revaluations made is taken into account.

The purchase consideration for an enterprise consists of the fair value of the consideration paid for the enterprise acquired. If the final determination of the consideration depends on one or more future events, the effect of such events is recognized at fair value at the acquisition date. Costs directly attributable to the acquisition are recognized directly in profit or loss upon being incurred.

Positive balances between (i) the purchase consideration, the value of any minority interests in the acquired enterprise plus the fair value of previously acquired equity investments, and (ii)

the fair value of the assets, liabilities and contingent liabilities acquired are recognized as goodwill in the balance sheet under intangible assets, and the goodwill amount is subjected to impairment tests at least once a year. If the carrying amount of the asset exceeds the recoverable amount, it is written down to the recoverable amount. Any negative balances are recognized as income in profit or loss.

For business combinations effected before 1 February 2004, the accounting classification according to the previous accounting policies has been retained. Thus, goodwill from such business combinations is recognized on the basis of the cost recognized according to the previous accounting policies, net of amortization and impairment until 31 January 2004. As of 31 January 2015, the carrying amount of goodwill relating to business combinations effected before 1 February 2004 totalled DKK 29.1 million.

Gains or losses on the sale or winding-up of subsidiaries, joint ventures and associates that result in the cessation of control and significant influence, respectively, are determined as the difference between (i) the fair value of the sales proceeds or winding-up proceeds plus the fair value of any remaining equity investments and (ii) the carrying amount of net assets at the date of sale or winding-up, including goodwill, less any minority interests. The gain or loss thus calculated is recognized in profit or loss together with accumulated foreign-exchange adjustments previously recognized in other comprehensive income.

**ASSOCIATES/JOINT VENTURES IN THE CONSOLIDATED FINANCIAL STATEMENTS**

In the consolidated financial statements, investments in joint ventures and associates are recognized and measured according to the equity method, which means that investments are measured at the proportionate share of the joint ventures'/associates' carrying amount, determined according to the Group's accounting policies, with the addition of goodwill and plus or less any proportionate intercompany profits or losses.

The proportionate share of the joint venture's/associate's results after tax and the proportionate elimination of unrealized intercompany profits and losses are recognized in profit or loss, less any impairment of goodwill. The proportionate share of all transactions and events recognized in the joint venture's/associate's other comprehensive income is recognized in consolidated other comprehensive income.

**NOTE 2. ACCOUNTING POLICIES, CONTINUED**

Investments in joint ventures and associates with a negative equity value are measured at DKK 0. Receivables and other non-current financial assets considered to be part of the overall investment are written down by any remaining negative equity value. Trade receivables and other receivables are written down to the extent that they are considered uncollectible. A provision for the remaining negative equity value is only recognized if the Group has a legal or constructive obligation to meet the relevant joint venture's/associate's liabilities.

**TRANSLATION OF FOREIGN-CURRENCY ITEMS**

A functional currency is determined for each of the reporting enterprises in the Group. The functional currency is the currency used in the primary economic environment in which the individual reporting enterprise operates. Transactions in currencies other than the individual enterprise's functional currency are considered foreign-currency transactions and are translated into the functional currency on initial recognition, based on the exchange rates ruling at the dates of the transactions. Exchange differences arising between the exchange rate on the transaction date and the exchange rate on the payment date are recognized in profit or loss under financial items.

Receivables, payables and other monetary items in foreign currencies that have not been settled by the reporting date are translated into the functional currency according to the exchange rates ruling at the reporting date. Realized and unrealized exchange gains and losses are recognized in profit or loss as financial items. Property, plant and equipment, intangible assets, projects in progress or completed and other non-monetary assets that have been bought in foreign currencies and are measured on the basis of historical cost are translated at the exchange rate ruling on the transaction date. Non-monetary items that are revalued at fair value are translated at the exchange rate ruling on the date of revaluation.

When enterprises that present financial statements in a functional currency other than Danish kroner (DKK) are recognized in the consolidated financial statements, items in the income statement are translated on the basis of the average exchange rates for the period under review, and items in the balance sheet (including goodwill) are translated on the basis of the exchange rates ruling at the reporting date. If the average exchange rates for the period under review deviate significantly from the actual exchange rates at the transaction dates, the actual exchange rates are used instead.

Exchange differences arising on translating foreign enterprises' beginning-of-year balance sheet items at the exchange rate ruling at the reporting date and on translating the income statement items from the average exchange rate for the period under review to the exchange rate at the reporting date are recognized in other comprehensive income. Exchange differences arising as a result of changes recognized directly in the equity of the foreign reporting enterprise are also recognized in other comprehensive income.

Foreign-exchange adjustments of intercompany accounts with foreign subsidiaries that are considered part of the Parent Company's total investment in the relevant subsidiary are recognized in other comprehensive income in the consolidated financial statements.

When associates/joint ventures that present financial statements in a functional currency other than DKK are recognized in the consolidated financial statements, income statement items are translated on the basis of the average exchange rates for the period under review, and balance sheet items are translated on the basis of the exchange rates ruling at the reporting date. Exchange differences arising on translating foreign enterprises' beginning-of-year balance sheet items at the exchange rate ruling at the reporting date and on translating the income statement items from the average exchange rate for the period under review to the exchange rate at the reporting date are recognized in other comprehensive income. Exchange differences arising as a result of changes recognized directly in the equity of the foreign reporting enterprise are also recognized in other comprehensive income.

**DERIVATIVE FINANCIAL INSTRUMENTS**

On initial recognition, derivative financial instruments are measured at fair value at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value at the reporting date. Positive and negative fair values of derivative financial instruments are recognized under other receivables and other debt.

Changes in the fair value of derivative financial instruments that are classified as and meet the conditions for the fair-value hedging of a recognized asset or liability are recognized in profit or loss together with changes in the value of the hedged asset or liability.

**NOTE 2. ACCOUNTING POLICIES, CONTINUED**

Changes in the fair value of derivative financial instruments that are classified as and meet the conditions for effective hedging of future transactions are recognized in other comprehensive income. Any ineffective portion is recognized immediately in profit or loss. When the hedged transactions are realized, the accumulated changes are recognized as part of the cost of the relevant transactions.

Changes in the fair value of derivative financial instruments that are used to hedge net investments in foreign subsidiaries are recognized in the consolidated financial statements under other comprehensive income in the event of hedge effectiveness. Any ineffective portion is recognized immediately in profit or loss. When the relevant foreign enterprise is sold, the accumulated changes in value are transferred to profit or loss.

Derivative financial instruments that do not meet the conditions for treatment as hedging instruments are considered trading portfolios and are measured at fair value, with fair-value adjustments being recognized under financial items in profit or loss on a continuing basis.

**SHARE-BASED INCENTIVE SCHEMES**

The Group's incentive schemes are equity-based warrant schemes. The equity-based incentive schemes are measured at the fair value of the options at the time of allocation and are recognized in profit or loss under staff costs over the vesting period. The offsetting amount is taken directly to equity.

In connection with initial recognition of the share options, an estimate is made of the number of options to which the employees are expected to become entitled. Subsequently, adjustments are made to reflect changes in the estimated number of vested options, such that the overall recognition is based on the actual number of vested options.

**INCOME STATEMENT****Net revenue**

The sales method is used to recognize income on projects sold; see IAS 18, Revenue. Thus, profits are recognized once the project has been sold, construction completed and all essential elements of the sales agreement fulfilled, including delivery and transfer of risk to the buyer.

The percentage of completion method is used for projects meeting the definition of a construction contract; see IAS 11. Thus, the revenue for the year on these projects corresponds

to the selling price of the work performed during the year. The recognized profit is the estimated profit on the project, calculated on the basis of its stage of completion. Reference is made to the section "Construction contracts" below.

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

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

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

For other income, the sales method is used.

Net revenue is measured at the fair value of the consideration received or receivable. If a sale is based on interest-free credit with a term extending beyond the usual credit period, the fair value of the consideration receivable is calculated by discounting future payments. The difference between the fair value and nominal value of the consideration is recognized in profit or loss as financial income over the extended credit period by using the effective interest method.

**Construction contracts**

When the outcome of a construction contract can be estimated reliably, net revenue and construction costs are recognized in profit or loss by reference to the stage of completion of the project at the reporting date (the percentage of completion method).

When the outcome of the construction contract cannot be measured with a sufficient degree of reliability, the net revenue corresponding to the construction costs incurred during the period is recognized if it is probable that such costs will be recoverable.

**External direct project costs**

This item consists of all costs relating to projects incurred to



**NOTE 2. ACCOUNTING POLICIES, CONTINUED**

generate the year's revenue and includes direct project costs, as well as interest during the construction period, plus a share of the relevant indirect project costs, determined as a percentage of staff costs, project materials, cost of premises and maintenance and depreciation resulting from the project development activity and proportionately attributable to the project development capacity utilized.

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

**Value adjustment of investment properties, etc.**

Changes in the fair values of investment properties are recognized in profit or loss under the item "Value adjustment of investment properties, net".

Realized gains and losses on the sale of investment properties are determined as the difference between the carrying amount and the selling price and are also recognized in profit or loss under the item "Value adjustment of investment properties, net".

**Other external expenses**

The item "Other external expenses" includes costs for administration, cost of premises and operating expenses for cars.

**Income from investments in joint ventures and associates in the consolidated financial statements**

The proportionate shares of the joint ventures' and associates' results after tax, adjusted for the proportionate elimination of unrealized intercompany profits and losses, less any impairment of goodwill, are recognized in consolidated profit or loss. The proportionate share of all transactions recognized in the joint venture's/associate's other comprehensive income is recognized in consolidated other comprehensive income.

**Financial income and expenses**

Financial income and expenses include interest income and expenses, realized and unrealized gains and losses on foreign-currency transactions, debt and securities as well as the amortization of financial liabilities.

Interest income and interest expenses are accrued, based on the principal and the effective interest rate. The effective interest rate is the discount rate used to discount the expected future payments associated with the financial asset or finan-

cial liability to ensure that the present value of such asset or liability is equal to its carrying amount.

Borrowing costs that are directly associated with the acquisition, construction or production of assets are capitalized as part of the cost of the relevant asset. Other borrowing costs are recognized in the income statement.

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

The tax for the year, which consists of the year's current tax and changes in deferred tax, is recognized in profit or loss as follows: the portion attributable to the profit or loss for the year is recognized in profit or loss, and the portion attributable to items under equity or other comprehensive income is posted directly to equity or other comprehensive income.

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax paid on account. The calculation of the year's current tax is based on the tax rates and tax rules applicable at the reporting date.

Deferred tax is recognized according to the balance-sheet liability method on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities, except deferred tax on temporary differences arising on the initial recognition of either goodwill or a transaction that is not a business combination and that does not affect the profit or loss or taxable income upon initial recognition.

Deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability. Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognized in the balance sheet at the value at which the asset is expected to be realized, either by setoff against deferred tax liabilities or as net tax assets for setoff against future positive taxable income within the same entity subject to joint taxation. At each reporting date, it is reconsidered whether it is likely that sufficient future taxable income will be generated to utilize the deferred tax asset, based on an individual and specific assessment. If it is considered that an individual tax asset cannot be utilized, it is written down against profit or loss.

Deferred tax on temporary differences related to equity investments in subsidiaries, joint ventures and associates is recognized, unless the Parent Company is able to control when the

**NOTE 2. ACCOUNTING POLICIES, CONTINUED**

deferred tax will crystallize and the deferred tax is not likely to crystallize as current tax in the foreseeable future. There is no deferred tax on investments in subsidiaries, joint ventures and associates, as any dividends distributed and any gains earned on the sale of such entities are tax-free for the Group. Deferred tax relating to the retaxation of previously deducted losses in foreign subsidiaries is recognized based on a specific assessment of the purpose of the individual subsidiaries.

Deferred tax is measured by using the tax rules and rates that will be applicable in the respective countries at the time when the deferred tax is expected to crystallize as current tax, based on the legislation in force at the reporting date. Any changes in deferred tax resulting from changed tax rates and tax rules are recognized in profit or loss, unless the deferred tax is attributable to items previously recognized directly in equity or in other comprehensive income. In such cases, the change in deferred tax is also recognized directly in equity or in other comprehensive income.

The Parent Company is jointly taxed with all Danish subsidiaries. The Parent Company administers the joint taxation. The total income taxes payable by the jointly taxed companies are distributed between the Danish jointly taxed companies in proportion to their taxable income.

Balances arising under the interest deduction limitation rules laid down in the Danish Corporation Tax Act have been distributed between the jointly taxed companies according to the joint taxation agreement concluded.

**BALANCE SHEET****Goodwill**

On initial recognition, goodwill is recognized and measured as the difference between (i) the purchase consideration for the acquired enterprise, the value of any minority interests in the acquired enterprise plus the fair value of previously acquired equity investments, and (ii) the fair value of the assets, liabilities and contingent liabilities acquired; see the description under "Consolidated financial statements".

The carrying amount of goodwill is allocated to the Group's cash-flow-generating units at the date of acquisition. Cash-flow-generating units are defined on the basis of the management structure and internal financial control and reporting in the Group.

Goodwill is not amortized. The amount of goodwill is subjected to impairment tests at least once a year to ensure that the asset is written down to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount is determined as the higher of the fair value less selling costs and the present value of estimated future net cash flows from the cash-flow-generating unit to which the goodwill relates. Impairment of goodwill is recognized in a separate line in the income statement. Impairment of goodwill is not reversed.

**Investment properties and investment properties under construction**

Properties are classified as investment properties when they are held to obtain rental income and/or capital gains. On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the property and directly associated costs.

Subsequently, investment properties are measured at fair value, which represents the selling price estimated to be obtainable at the reporting date in an arm's length transaction. Generally, the valuation is made on the basis of a discounted cash-flow model, where future cash flows are discounted to net present value on the basis of a given rate of return. The rate of return is fixed for each individual property. Where a sales process has been started, the selling price discussed will be used as a basis for the valuation, if the price is found to correctly reflect the fair value.

The valuation of the Group's investment properties under construction is also based on a specific assessment of project progress at the reporting date, including the risks attaching to project completion. The costs incurred in connection with construction are added to the value of the property.

Changes in the fair value are recognized in profit or loss under "Value adjustment of investment properties, net" in the financial year in which the change occurs.

**Other non-current assets**

Other securities and investments consist mainly of unlisted equity interests in an enterprise that is not a subsidiary, a joint venture or an associate. Equity interests are not traded in an active market, and the fair value cannot be determined with a sufficient degree of reliability. Therefore, equity interests are measured at cost.

**NOTE 2. ACCOUNTING POLICIES, CONTINUED****Projects in progress or completed**

Projects in progress or completed consist of real property projects.

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

Additions for indirect project costs are calculated as a percentage of staff costs, project materials, the cost and maintenance of premises and depreciation resulting from project development and proportionately attributable to the project development capacity utilized.

Prepayments from customers on sold projects in progress (forward funding) are deducted from the carrying amount of the project portfolio, and any negative net amount, determined for each individual project, is included in the item "Prepayments received from customers".

**Receivables**

Receivables consist of trade receivables, receivables from contract work in progress, receivables from joint ventures, receivables from associates and other receivables. Receivables are classified as loans and receivables, which are financial assets with fixed or determinable payments that are not quoted in an active market and are not derivative financial instruments.

Receivables are measured at fair value on initial recognition and subsequently at amortized cost, which usually corresponds to nominal value less impairment provisions to meet estimated losses. Impairment losses on receivables are calculated on the basis of an assessment of the individual receivables.

Financial assets and liabilities are charged against the balance sheet if the Company has a right of setoff and at the same time intends or is under a contractual obligation to realize assets and liabilities simultaneously.

Prepayments, recognized under assets, consist of paid expenses relating to subsequent financial years. Prepayments are measured at cost in the balance sheet.

**Construction contracts**

When the outcome of a construction contract can be estimated reliably, the construction contract is measured at the selling price of the work performed as of the reporting date (the percentage of completion method) less any amounts invoiced on account and writedowns for impairment. The selling price is measured on the basis of the stage of completion as of the reporting date and the total revenue expected from the individual construction contract.

The stage of completion of each individual project is normally calculated as the proportion between the resources used by the Group and the total budgeted use of resources.

When the outcome of the construction contract cannot be measured reliably, the construction contract is measured at the construction costs incurred if it is probable that they will be recoverable. If it is probable that the total construction costs will exceed total contract revenue, the estimated loss is recognized as a cost immediately.

The individual construction contract in progress is recognized in the balance sheet under receivables or liabilities, depending on whether its net value is a receivable or a liability.

**Other securities and investments**

Securities under current assets consist of listed and unlisted shares.

Securities are classified either as financial assets available for sale or as held-to-maturity financial assets.

Available-for-sale securities are measured at fair value on the reporting date. Fair-value adjustments are recognized in other comprehensive income and are recognized in profit or loss on the sale or settlement of the securities.

Listed securities are measured at their official listed price, and unlisted securities are measured at their fair value, based on the calculated value in use.

Equity interests that are not traded in an active market, and where the fair value cannot be determined with a sufficient degree of reliability, are measured at cost.

**NOTE 2. ACCOUNTING POLICIES, CONTINUED****Equity**

Dividend is recognized as a liability at the time of its adoption at the Annual General Meeting.

**Pension obligations and the like**

The Group's pension obligations consist of defined contribution plans on which fixed contributions are paid regularly to independent pension companies and the like. The contributions are recognized in profit or loss over the period during which the employees have performed the work entitling them to the pension contribution. Contributions payable are recognized as a liability in the balance sheet.

**Provisions**

Provisions are recognized when a legal or constructive obligation is incurred due to events before or at the reporting date, and meeting the obligation is likely to result in an outflow of resources from the Group.

This item includes provisions for rent guarantees, with the provision being based on experience with rent guarantees and on an individual assessment of the individual leases.

Provisions are measured as the best estimate of the costs required to settle the relevant liabilities at the reporting date. Provisions for liabilities with an expected maturity of more than one year are classified as non-current liabilities and measured at present value.

**Liabilities other than provisions**

Non-current financial liabilities are measured at cost at the time the relevant loans are raised, equivalent to the proceeds received after transaction costs. Subsequently, financial liabilities are measured at amortized cost, such that the difference between the proceeds and nominal value is recognized in profit or loss as a financial expense over the term of the loan.

Other financial liabilities are recognized at amortized cost, which usually corresponds to the nominal value.

Lease payments relating to operational leases are recognized in profit or loss according to the straight-line method, over the term of the lease.

Financial liabilities, which comprise payables to credit institutions, trade payables and other debt, are classified as Financial

liabilities measured at amortized cost.

Deferred income, recognized under liabilities, consists of income received that relates to subsequent financial years. Deferred income is measured at cost in the balance sheet.

**CONSOLIDATED CASH FLOW STATEMENT**

The cash flow statement is presented according to the indirect method, based on the operating profit or loss, and shows cash flows generated from operating, investing and financing activities, as well as cash and cash equivalents at the beginning and end of the financial year.

Cash flows relating to operating activities are calculated as the operating profit or loss, adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and corporate income tax.

Cash flows relating to investing activities comprise payments made in connection with the purchase and sale of enterprises, property, plant and equipment and other non-current assets.

Cash flows relating to financing activities consist of changes in the Parent Company's share capital and associated costs, the raising and repayment of loans, other repayments on interest-bearing debt as well as the payment of dividend.

Cash flows in currencies other than the functional currency are recognized in the cash flow statement by using average exchange rates for the period under review, unless they deviate significantly from the actual exchange rates at the transaction dates.

In preparing the consolidated cash flow statement, opening balance sheets and cash flows in foreign currencies are translated on the basis of the foreign-exchange rates prevailing at the reporting date. This eliminates the effect of exchange differences on the period's movements and cash flows. Interest paid is shown separately. Consequently, project interest for the period is not included in liquidity movements resulting from the project portfolio. Thus, the figures in the cash flow statement cannot be inferred directly from the financial statements.

Cash and cash equivalents comprise free cash resources.

**NOTE 2. ACCOUNTING POLICIES, CONTINUED**
**SEGMENT SPECIFICATIONS**

The segment information is prepared in accordance with the Group's accounting policies, based on the Group's internal management reporting.

The business areas are structured as follows:

- Property development activities
- Asset management activities
- Discontinuing activities

The segment information in note 4 has been disclosed accordingly.

Segment income and expenses and segment assets and liabilities comprise the items directly allocable to the individual segment and the items that can be allocated to the individual segments on a reliable basis. The unallocated items relate mainly to assets, liabilities, income and expenses associated with the Group's administrative functions, corporate income tax, and the like.

Non-current assets in the segments comprise the assets used directly in the operation of the segments, including intangible assets, property, plant and equipment and investments in associates. Current assets in the segments comprise the assets directly allocable to the operating activities in the segment, including projects in progress or completed, trade receivables, other receivables, prepayments and cash and cash equivalents.

Liabilities attributable to the segments comprise the liabilities deriving from the operating activities in the segment, including trade payables, payables to credit institutions, provisions, other debt and the like.

**RATIO DEFINITIONS**
**Return on equity:**

$\frac{\text{Profit/loss excluding minority interests} \times 100}{\text{Average equity excluding minority interests}}$
---

**EBIT margin (profit margin):**

$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
--

**Solvency ratio (based on equity):**

$\frac{\text{Equity excluding minority interests} \times 100}{\text{Total assets}}$
---

**Book value in DKK per share:**

$\frac{\text{Equity excluding minority interests} \times 100}{\text{Number of shares}}$
---

**Price/book value (P/BV):**

$\frac{\text{Listed price}}{\text{Book value per share (DKK)}}$
---

**Earnings in DKK per share:**

$\frac{\text{Profit/loss excluding minority interests}}{\text{Average number of shares in circulation}}$
--

**Diluted earnings in DKK per share:**

$\frac{\text{Diluted profit/loss excluding minority interests}}{\text{Average number of diluted shares}}$
---

**Dividend in DKK per share:**

The Parent Company's dividend per share
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**NOTE 3. ACCOUNTING ESTIMATES AND JUDGMENTS**

Many account items cannot be measured with certainty, but only estimated. Such estimates consist of assessments based on the most recent information available at the time of presenting the financial statements. It may be necessary to change previous estimates based on changes in the assumptions underlying the estimate or based on supplementary information, additional experience or subsequent events.

In connection with the practical application of the accounting policies described, Management has made a number of significant accounting estimates and judgments that have materially affected this Annual Report.

**Investment properties**

The Group's investment properties are measured at fair value in the balance sheet. The valuation is made on the basis of a discounted cash-flow model, where expected future cash flows are discounted to net present value on the basis of a given rate of return, or on the basis of an ongoing sales process where applicable. If any changes occur in the assumptions used, the value may deviate from the value determined at 31 January 2015. In the 2014/15 financial year, a negative value adjustment of the Group's remaining investment property was made, amounting to DKK -2.9 million. The carrying amount of investment properties totalled DKK 78.1 million at 31 January 2015.

**Projects in progress or completed**

The Group's project portfolio comprises land and projects and can generally be categorized as follows:

- Completed projects in operation
- Development projects, including plots of land
- Discontinuing activities

Any indications of impairment are determined based on a specific assessment of each individual project, including existing project budgets and the expected future development potential.

Each project category is subject to a number of risks which may negatively impact the project valuation. The most significant risks are primarily business-related and concern:

**Rental rates and property prices**

The Group is affected by price fluctuations in the various property markets in which it operates, as well as by general economic trends. Declining rental levels and lower prices for land

and property may have a material adverse effect on the Group.

The risks on the Group's completed projects include a letting risk attaching to those of the Group's lease agreements that expire while the Group owns the relevant properties. If the Group fails to renew these agreements, fails to enter into new leases, or if the agreements can be entered into only on less favourable terms and conditions, it could have a material adverse effect on the Group.

If the return required by investors on real property investments changes, this could also have a material adverse effect on the Group.

Negative developments in the retail sector, for example due to economic trends or increased Internet sales, may result in lower demand for retail rental premises, and thus lower rental income and property prices, which could have a material adverse effect on the Group.

In addition to rental rates and property prices, as described above, regulatory approvals and compliance with time schedules are two crucial elements affecting the Group's development projects.

**Regulatory approvals**

The Group's future earnings depend on the inflow of new projects and consequently on the future availability of new building sites and regulatory approvals (planning legislation, local development plans, planning permission, etc.) concerning the location, size and use of a property. Changes in local plans or other factors that make obtaining planning permission difficult or restrict the supply of building sites may have a material adverse effect on the Group.

**Compliance with time schedules**

The Group bases its individual projects on overall and detailed time schedules. Time is a crucial factor in complying with agreements concluded with tenants and investors and a significant factor in ensuring that the individual projects progress according to plan and, accordingly, that the Group generates the earnings expected. Postponing an individual project may, for instance, mean that lease agreements lapse, tenants become entitled to compensation and, ultimately, that an investor is no longer under an obligation to buy the project.

**NOTE 3. ACCOUNTING ESTIMATES AND JUDGMENTS, CONTINUED****Matters specifically relating to discontinuing activities**

In March 2013 the Group decided to phase out its activities in Finland, Germany, the Baltic States and Russia. The phase-out is being carried out as quickly as possible, while at the same time taking into account that the countries in question have projects that need to be handled so as to retain as much of the value of the existing portfolio as possible. The risk exists that these activities may be phased out at a value lower than their carrying amount, and that the phase-out will take longer than anticipated.

**Valuation at 31 January 2015**

With a carrying amount of DKK 2,121.7 million at 31 January 2015, projects in progress and completed projects account for a significant share of the Group's balance sheet total. The changed indications of impairment of projects in progress and completed projects have had a negative impact of DKK 63.8 million on the results for the year. Accumulated impairment amounted to DKK 301.8 million at 31 January 2015. The carrying amount of projects in progress and completed projects written down to their estimated net realizable value totalled DKK 1,549.0 million at 31 January 2015. Thus, as a large share of the Group's projects in progress and completed projects has been written down to the estimated net realizable value, the valuation is subject to uncertainty. If the actual course of an individual project deviates from the expected development, this may necessitate changes to the impairment recognized, which could have a material adverse effect on the Group.

**Recognition of revenue**

The sales method is used to recognize income on projects sold; see IAS 18, Revenue. Revenue on projects that can be classified as construction contracts is recognized according to IAS 11. For sold projects consisting of several instalment deliveries that can be segregated, where the financial effect can be assessed separately, the profit on the individual instalment delivery is recognized when all essential elements of the agreement have been fulfilled, thus meeting the recognition criteria of IAS 18. Thus, Management specifically assesses each individual project for the purpose of determining recognition principle and method.

**Deferred tax assets**

A deferred tax asset of DKK 114.7 million was recognized in the balance sheet at 31 January 2015. The tax asset relates mainly to tax loss carryforwards in the various subsidiaries. Valuation

is based on the existing rules for carrying forward losses and joint taxation or group contributions and the assumption that each subsidiary is a going concern. A change in the conditions and assumptions for carrying forward losses and joint taxation/group contributions could result in the value of the tax asset being substantially lower than that computed at 31 January 2015. Impairment of deferred tax assets in the amount of DKK 4.6 million was reversed in the 2014/15 financial year, as the underlying losses were considered unrecoverable and written down to DKK 0 at the beginning of the financial year. A further DKK 10.2 million writedown for impairment was made in the 2014/15 financial year, primarily in respect of the Polish subsidiaries. Accumulated impairment amounted to DKK 225.9 million at 31 January 2015.

The valuation of the tax assets is based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years is based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities.

Due to the substantial uncertainties attaching to these valuations, provisions have been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. A change in the conditions and assumptions for budgets and profit forecasts, including time estimates, could result in the value of the tax assets being substantially lower than that computed at 31 January 2015, which could have an adverse effect on the Group's results of operations and financial position.

**Joint taxation**

The Group was previously jointly taxed with its German subsidiaries for a number of years. The retaxation balance in respect of the jointly taxed German companies amounted to DKK 389.4 million at 31 January 2015. Full retaxation would trigger a tax charge of DKK 97.4 million at 31 January 2015. Tax has not been provided on the retaxation balance, because Management does not plan to make changes in the Group that would result in full or partial retaxation. If Management takes a different view, this could have an adverse effect on the Group's results of operations and cash flows.

**NOTE 3. ACCOUNTING ESTIMATES AND JUDGMENTS, CONTINUED****Investments in and receivables from joint ventures**

The need for making provisions for losses on investments in and receivables from joint ventures is based on a specific assessment of each individual joint venture. If any changes occur in the assumptions used or if the actual course of events deviates from the expected development, the value may deviate from the value determined at 31 January 2015. The carrying amount of investments in and receivables from joint ventures totalled DKK 296.1 million at 31 January 2015.

**Receivables**

Indications of impairment of receivables are determined based on a specific assessment of each individual receivable. If any changes occur in the assumptions used, the value may deviate from the value determined at 31 January 2015. The carrying amount of receivables totalled DKK 109.4 million at 31 January 2015.

**NOTE 4. SEGMENT INFORMATION**

The Group's internal reporting to the Parent Company's Board of Directors is organized into three business areas:

- Property development
- Asset management
- Discontinuing activities

These business areas represent the Group's operating segments, as defined by IFRS 8.

Property development comprises most of the Group's projects, i.e. all the projects that are located in one of the Group's continuing markets, Denmark, Sweden, Poland and the Czech Republic, and which are not investment properties or completed properties.

Asset management comprises the Group's investment properties and completed projects in operation, to the extent that such properties are located in one of the Group's continuing markets, Denmark, Sweden, Poland and the Czech Republic.

Discontinuing activities comprise all the Group's activities in the markets where the activities are being phased out, viz. Germany, Finland, the Baltic States and Russia.

The unallocated items in the income statement primarily comprise staff costs and other external expenses, to the extent that these costs and expenses cannot be allocated to discontinuing activities and tax. The unallocated items in the balance sheet primarily comprise goodwill, deferred tax assets and deferred tax liabilities, cash and cash equivalents and operating credit facilities that are not directly allocable to an individual segment.

The segment information has been disclosed accordingly.

The accounting policies used in compiling the segment information are identical to the Group's accounting policies; see the description above.

## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 4. SEGMENT INFORMATION, CONTINUED

31.1.2015	Development	Asset Management	Discontinuing activities	Unallocated	Total
Net revenue, external customers	701.9	63.5	89.3	0.0	854.7
Impairment losses on projects in progress or completed	0.0	44.5	19.3	0.0	63.8
Value adjustment of investment properties, net	0.0	0.0	-3.5	0.0	-3.5
Gross profit/loss	128.6	3.4	-38.7	0.0	93.3
Financial income	3.1	1.8	0.1	0.0	5.0
Financial expenses	-6.5	-44.4	-2.2	-9.8	-62.9
Depreciation and impairment	0.0	0.0	0.0	0.6	0.6
Income from joint ventures	11.6	26.3	0.0	-7.8	30.1
Shares of profit or loss in associates	0.5	0.1	-10.3	0.0	-9.7
Profit/loss before tax	137.3	-12.8	-54.1	-95.6	-25.2
Segment assets	1,172.1	1,249.9	250.3	172.9	2,845.2
Investments in joint ventures	105.7	66.2	0.0	0.0	171.9
Investments in associates	1.8	1.4	0.0	0.0	3.2
Capital expenditure *)	0.0	0.0	0.0	0.2	0.2
Segment liabilities	359.8	844.9	52.2	78.9	1,335.8

31.1.2014	Development	Asset Management	Discontinuing activities	Unallocated	Total
Net revenue, external customers	252.8	67.5	10.4	0.0	330.7
Impairment losses on projects in progress or completed	0.0	0.0	8.9	0.0	8.9
Reversal of impairment losses on projects in progress or completed	17.6	0.0	0.0	0.0	17.6
Value adjustment of investment properties, net	0.0	0.0	-9.5	0.0	-9.5
Gross profit/loss	61.6	58.3	-17.4	0.0	102.5
Financial income	2.6	6.0	0.0	0.0	8.6
Financial expenses	-23.3	-52.9	-5.9	-13.4	-95.5
Depreciation and impairment	0.0	0.0	0.0	1.4	1.4
Income from joint ventures	5.9	39.4	0.0	-7.8	37.5
Shares of profit or loss in associates	2.7	0.3	-7.1	0.0	-4.1
Profit/loss before tax	49.6	51.6	-38.9	-105.1	-42.8
Segment assets	1,120.9	1,694.5	367.7	164.0	3,347.1
Investments in joint ventures	104.2	366.3	0.0	0.0	470.5
Investments in associates	1.3	1.3	0.0	0.0	2.6
Capital expenditure *)	0.0	0.0	0.0	0.2	0.2
Segment liabilities	437.7	921.7	150.6	283.4	1,793.4

\*) Capital expenditure comprises additions to intangible assets and property, plant and equipment.

#### Geographical information

TK Development operates primarily on the markets in Denmark, Sweden, Poland and the Czech Republic. Because of the Group's accounting policies for recognizing sold projects, revenue in the individual countries may vary substantially from one year to another. For the purpose of presenting information about geographical areas, the information about the distribution of revenue on geographical segments was prepared on the basis of project location.

	Net revenue, external customers		Non-current assets *)	
	2014/15	2013/14	2014/15	2013/14
Denmark	262.5	77.6	33.5	33.8
Sweden	436.2	30.2	0.0	0.0
Poland	56.2	190.9	0.4	0.4
Czech Republic	10.5	21.7	0.4	0.4
Germany	2.4	6.4	78.1	103.2
Lithuania	82.8	0.4	0.0	0.0
Other countries **)	4.1	3.5	0.0	0.0
Total	854.7	330.7	112.4	137.8

\*) Non-current assets comprise intangible assets and property, plant and equipment.

\*\*) Net revenue for other countries comprises the remaining revenue, including revenue in the countries for which no specific amount is indicated for the individual year.

**NOTE 4. SEGMENT INFORMATION, CONTINUED**

Non-current assets relate primarily to goodwill and the Group's investment property in Germany; see note 19.

**Information about major customers:**

In 2014/15, The Group sold two projects to two different customers where the revenue on the project exceeded 10 % of the Group's total revenue. The revenue on these projects amounted to DKK 430.1 million, 94.6 million respectively. In the 2013/14 financial year, one project was sold to at customer where the revenue on the project exceeded 10 % of the Groups total revenue. The revenue amounted to DKK 48.2 million.

**NOTE 5. NET REVENUE**

	2014/15	2013/14
Sale of projects and properties	741.0	203.1
Rental income	65.6	75.5
Sale of services	48.1	52.1
<b>Total net revenue</b>	<b>854.7</b>	<b>330.7</b>

**NOTE 6. EXTERNAL DIRECT PROJECT COSTS**

	2014/15	2013/14
Project costs	694.1	227.4
Impairment losses on projects in progress or completed	63.8	8.9
Reversal of impairment losses on projects in progress or completed	0.0	-17.6
<b>External direct project costs, total</b>	<b>757.9</b>	<b>218.7</b>

**NOTE 7. OTHER EXTERNAL EXPENSES**

	2014/15	2013/14
Administrative expenses	11.9	12.8
Cost of premises	7.8	8.8
Cars, operating expenses	4.2	5.0
<b>Other external expenses, total</b>	<b>23.9</b>	<b>26.6</b>



**NOTE 8. STAFF COSTS**

	2014/15	2013/14
Fees for Board of Directors	1.4	1.5
Salaries, etc. for the Parent Company's Executive Board; see below	5.2	6.0
Other salaries	42.3	47.3
Defined contribution pension plans	0.9	0.9
Other social security costs	5.3	6.4
Share-based payment, other employees	0.1	0.4
Other staff costs	1.3	1.3
<b>Total staff costs</b>	<b>56.5</b>	<b>63.8</b>
Average number of employees	88	100
Number of employees at year-end	88	90

**Salaries, etc. for the Parent Company's Executive Board:**

2014/15	Salary	Pension	Share-based payment	Total
Frede Clausen	2.9	0.1	0.0	3.0
Robert Andersen	2.1	0.1	0.0	2.2
Salaries, etc., total	5.0	0.2	0.0	5.2
<b>2013/14</b>				
Frede Clausen	3.2	0.1	0.1	3.4
Robert Andersen	2.4	0.1	0.1	2.6
Salaries, etc., total	5.6	0.2	0.2	6.0

In addition, the Executive Board has the usual free benefits, including free company car. The value of these benefits amounted to DKK 0.17 million per Executive Board member in 2014/15 (2013/14: DKK 0.17 million per Executive Board member).

The Board of Directors is composed of the Chairman, Deputy Chairman and four other members. In 2014/15, the Board of Directors members were paid a basic fee of DKK 160,000. The Chairman is paid three times the basic fee and the Deputy Chairman twice the basic fee, while the remaining members are paid the basic fee.

In the 2012/13 financial year a new two-year agreement was made with the Executive Board, according to which 20 % of the Executive Board's already reduced fixed annual remuneration will not be paid on an ongoing basis, which will equal a 36 % reduction compared to the remuneration paid in the 2011/12 financial year, which applies to the period from 1 May 2013 to 30 April 2015. Up to two-thirds of the remuneration withheld during the two-year period will nevertheless be paid when the Group meets specific operational targets.

**Defined contribution plans**

The Group has entered into defined contribution plans with the majority of the employees in Danish group companies. According to these plans, the group companies pay a monthly amount of 2 % of the relevant employees' basic salaries to independent pension companies.

An amount of DKK 1.1 million was expensed for defined contribution plans in the 2014/15 financial year (2013/14: DKK 1.1 million).

No employees in the Group are comprised by defined benefit plans.

**NOTE 9. SHARE-BASED PAYMENT**

For several years, TK Development has used incentive schemes for the Executive Board and other executive staff members. The aim of using incentive schemes is to forge a link between the individual staff member's efforts and the Group's long-term value creation. As at 31 January 2015, only one incentive scheme remains.

**2011 scheme**

In June 2011 the Board of Directors allocated 500,000 warrants to the Executive Board and other executive staff, broken down by 62,500 warrants to each Executive Board member and 375,000 warrants to other staff members. Following the capital reduction and capital increase implemented in September 2013, the number of warrants allocated has been adjusted by 171,461 warrants. At the reporting date, the number of outstanding warrants totalled 615,461, corresponding to 0.6 % of the share capital. The outstanding warrants can be exercised in the six-week period following publication of the preliminary announcement of financial statements for the 2014/15 financial year (from 27 March 2015).

The fair value of the warrants allocated has been calculated using the Black-Scholes pricing formula and amounts to DKK 2.1 million, which has been expensed over the term of the incentive scheme.

The main condition for exercising these warrants is that the employee has not given notice to terminate his or her employment before having exercised the warrants allocated.

**The development in outstanding warrants is shown below:**

	Number of warrants		Weighted average exercise prices	
	31.1.2015	31.1.2014	31.1.2015	31.1.2014
Outstanding warrants, beginning of year	615,461	930,315	20.81	27.65
Allocated during the financial year (adjustment)	0	171,461	-	-
Lapsed due to termination of employment	0	-40,000	-	28.90
Expired in the financial year	0	-446,315	-	26.30
Outstanding warrants, end of year	615,461	615,461	21.80	20.81
Number of warrants exercisable at the reporting date	615,461	0	-	-
Share-based payment recognized in the profit or loss (DKK million)	0.1	0.6	-	-

For the outstanding warrants at 31 January 2015, the exercise price is DKK 21.8 per warrant (2013/14: DKK 20.2 to DKK 21.8 per warrant). The weighted average term to expiry has been calculated at 4 months (2013/14: 16 months).

**Outstanding warrants is specified as below:**

	Number of warrants	Expiry date (last period)	Exercise price (last period)	Fair value at the time of allocation (DKKm)
Allocated June 2011	615,461	May 2015	21.8	2.1

## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 10. FEES PAYABLE TO THE AUDITORS ELECTED AT THE GENERAL MEETING

	2014/15	2013/14
Total fees, Deloitte	1.6	1.7
Total fees, Nielsen & Christensen	0.0	1.1
<b>Total fees</b>	<b>1.6</b>	<b>2.8</b>

#### Fees break down as follows:

##### Deloitte:

Statutory audit	1.5	1.2
Other assurance reports	0.0	0.4
Tax consultancy	0.1	0.1
<b>Total</b>	<b>1.6</b>	<b>1.7</b>

##### Nielsen & Christensen:

Statutory audit	-	0.7
Other assurance reports	-	0.4
<b>Total</b>	<b>-</b>	<b>1.1</b>

### NOTE 11. INVESTMENTS IN ASSOCIATES

	2014/15	2013/14
Cost at 1 February	1.3	1.3
Additions on the purchase of equity investments	0.0	0.0
<b>Cost at 31 January</b>	<b>1.3</b>	<b>1.3</b>
Revaluations and impairment at 1 February	-10.7	-4.6
Share of profit/loss for the year after tax	-9.7	-6.1
<b>Revaluations and impairment at 31 January</b>	<b>-20.4</b>	<b>-10.7</b>
<b>Transferred for setoff against receivables</b>	<b>22.3</b>	<b>12.0</b>
<b>Carrying amount at 31 January</b>	<b>3.2</b>	<b>2.6</b>

In the consolidated balance sheet, investments in associates are measured according to the equity method after deduction of any impairment. The Group's associates appear from the overview of group companies, note 35.

TK Development has no associates that are individually material to the Group.

#### Income from investments in not individually material associates is shown below:

	2014/15	2013/14
Dividends received (preferential, in excess of ownership interest)	0.0	2.0
Other income from associates	-9.7	-6.1
<b>Total income from investments in associates</b>	<b>-9.7</b>	<b>-4.1</b>

#### Financial disclosures for not individually material associates:

	2014/15	2013/14
The Group's share of profit/loss for the year	-9.7	-6.1
The Group's share of equity	-19.1	-9.4

**NOTE 12. INVESTMENTS IN JOINT VENTURES**

In the consolidated balance sheet, investments in joint ventures are measured according to the equity method, equal to the proportionate share of the individual joint ventures' carrying amount, determined according to the Group's accounting policies, with the addition of goodwill and less any proportionate intercompany profits or losses, etc.

The Group's joint ventures comprise projects within the Group's primary and secondary business areas that - regardless of the ownership interest - are jointly controlled with other parties in accordance with shareholders' or similar agreements. These joint ventures are organized as separate legal entities, and, based on the agreements concluded, the parties have rights to the net assets only.

Joint ventures appear from the overview of group companies in note 35.

**The Group's material joint ventures are the following:**

	Reg. office	Ownership interest/ voting rights		Activity
		31 Jan 2015	31 Jan 2014	
Euro Mall Luxembourg JV S.á r.l.	Luxembourg	30 %	30 %	Property development/ asset management
Ringsted Outlet Center P/S	Denmark	50 %	50 %	Asset management
Kommanditaktieselskabet Danlink Udvikling	Denmark	50 %	50 %	Property development
Kommanditaktieselskabet Østre Havn P/S	Denmark	50 %	50 %	Property development
Euro Mall Ventures S.á r.l.	Luxembourg	20 %	20 %	Asset management
Euro Mall Sterboholý a.s.	Czech Republic	-	75 %	Asset management

In a few cases, the Group's joint ventures are subject to restrictions as concerns the transfer of funds in the form of dividends or the repayment of loans to the Group.

The Group has no unrecognized shares of losses in joint ventures, neither for the 2014/15 financial year nor on an accumulated basis.

## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12. INVESTMENTS IN JOINT VENTURES, CONTINUED

2014/15	Euro Mall Luxem- bourg JV S.á r.l. (incl. subsidiar- ies)	Ringsted Outlet Center P/S	Komman- ditaktie- selskabet Danlink Udvikling	Komman- ditaktie- selskabet Østre Havn P/S	Euro Mall Ventures S.á r.l. (incl. subsidiary)*	Immaterial joint ven- tures	Total
Ownership share	30 %	50 %	50 %	50 %	20 %		
<b>Comprehensive income statement</b>							
Net revenue	18.3	9.5	99.1	0.0	42.0		
Depreciations	0.0	0.0	0.0	0.0	0.0		
Impairment	0.0	0.0	0.0	0.0	0.0		
Financial income	0.3	0.0	0.0	0.0	3.8		
Financial expenses	8.1	1.1	1.0	0.0	11.9		
Tax on profit/loss for the year	2.0	0.0	0.0	0.0	12.3		
Profit/loss for the year	5.7	0.2	21.3	0.0	7.9	5.9	
Other comprehensive income	-0.2	0.0	0.0	0.0	4.6	0.0	
Total comprehensive income	5.5	0.2	21.3	0.0	12.5	5.9	
The Group's share of profit/loss for the year	1.7	0.1	10.7	0.0	1.6	3.7	17.8
Group adjustments (gains/losses, etc. on the sale of joint ventures)	-2.5	0.0	0.0	0.0	2.2	12.6	12.3
<b>Income from investments in joint ventures</b>	<b>-0.8</b>	<b>0.1</b>	<b>10.7</b>	<b>0.0</b>	<b>3.8</b>	<b>16.3</b>	<b>30.1</b>
The Group's share of total comprehensive income for the year incl. group adjustments	-0.9	0.1	10.7	0.0	6.1	8.7	24.7
Dividend received	0.0	0.0	0.0	0.0	237.6	0.0	

\*The balance sheet for Euro Mall Ventures S.á r.l. as per 31 January 2015 is included in the column "Immaterial joint ventures".

31 Jan 2015	Euro Mall Luxem- bourg JV S.á r.l. (incl. subsidiar- ies)	Ringsted Outlet Center P/S	Komman- ditaktie- selskabet Danlink Udvikling	Komman- ditaktie- selskabet Østre Havn P/S	Immaterial joint ven- tures	Total
<b>Balance sheet</b>						
Non-current assets	465.2	0.5	66.3	0.0	0.0	
Current assets	37.0	190.3	317.1	125.6	93.3	
Non-current liabilities except trade payables and provisions	177.3	0.0	0.0	0.0	0.0	
Current liabilities except trade payables and provisions	265.9	87.7	117.0	101.2	55.6	
Non-current liabilities	178.3	0.0	0.0	0.0	0.0	
Current liabilities	288.0	92.3	193.8	122.6	78.3	
Cash and cash equivalents	22.9	5.9	0.0	0.3	43.2	
Equity	35.9	98.5	189.6	3.0	15.0	
TK Development's share of equity	10.8	49.2	94.8	1.5	5.1	161.4
Group adjustments, etc.	3.8	0.0	0.0	1.4	5.3	10.5
<b>Investments in joint ventures, total</b>	<b>14.6</b>	<b>49.2</b>	<b>94.8</b>	<b>2.9</b>	<b>10.4</b>	<b>171.9</b>

**NOTE 12. INVESTMENTS IN JOINT VENTURES, CONTINUED**

2013/14	Euro Mall Luxem- bourg JV S.á r.l. (incl. subsidiar- ies)	Ringsted Outlet Center P/S	Komman- ditaktie- selskabet Danlink Udvikling	Komman- ditaktie- selskabet Østre Havn P/S	Euro Mall Ventures S.á r.l. (incl. subsidiary)	Euro Mall Sterboholý a.s.	Immaterial joint ven- tures	Total
Ownership share	30 %	50 %	50 %	50 %	20 %	75 %		
<b>Comprehensive income statement</b>								
Net revenue	22.1	9.4	12.6	0.0	46.9	48.1		
Depreciations	0.0	0.0	0.0	0.0	0.0	0.0		
Impairment	0.0	0.0	0.0	0.0	0.0	0.0		
Financial income	0.3	0.0	0.0	0.0	3.6	0.0		
Financial expenses	12.3	4.2	1.7	0.0	10.1	7.4		
Tax on profit/loss for the year	0.3	0.0	0.0	0.0	8.2	4.8		
Profit/loss for the year	-26.6	-1.4	5.0	-0.3	29.9	33.4	-0.1	
Other comprehensive income	-0.3	0.0	0.0	0.0	0.8	7.8	0.0	
Total comprehensive income	-26.9	-1.4	5.0	-0.3	30.7	41.2	-0.1	
The Group's share of profit/loss for the year	-8.0	-0.7	2.5	-0.1	6.0	25.0	0.0	24.7
Group adjustments (gains/losses, etc. on the sale of joint ventures)	0.0	0.0	0.0	0.0	9.0	0.0	3.8	12.8
<b>Income from investments in joint ventures</b>	-8.0	-0.7	2.5	-0.1	15.0	25.0	3.8	37.5
The Group's share of total compre- hensive income for the year incl. group adjustments	-8.1	-0.7	2.5	-0.1	15.3	30.9	3.8	43.6
Dividend received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Balance sheet</b>								
31 Jan 2014	Euro Mall Luxem- bourg JV S.á r.l. (incl. subsidiar- ies)	Ringsted Outlet Center P/S	Komman- ditaktie- selskabet Danlink Udvikling	Komman- ditaktie- selskabet Østre Havn P/S	Euro Mall Ventures S.á r.l. (incl. subsidiary)	Euro Mall Sterboholý a.s.	Immaterial joint ven- tures	Total
Non-current assets	304.0	0.0	0.0	0.0	597.0	0.0	0.0	
Current assets	50.8	189.0	336.3	32.1	50.7	514.6	23.8	
Non-current liabilities except trade payables and provisions	186.4	0.0	0.0	0.0	3.3	3.6	0.0	
Current liabilities except trade paya- bles and provisions	136.0	88.8	102.8	27.5	236.4	346.0	14.2	
Non-current liabilities	186.4	0.0	0.0	0.0	3.3	3.6	0.0	
Current liabilities	137.8	90.7	168.0	29.0	244.1	367.6	19.1	
Cash and cash equivalents	45.3	5.7	0.1	0.0	23.6	15.8	1.9	
Equity	30.6	98.3	168.3	3.1	400.3	143.4	4.7	
TK Development's share of equity	9.2	49.2	84.2	1.6	80.0	107.5	2.3	334.0
Group adjustments, etc.	15.0	0.0	0.0	1.4	120.1	0.0	0.0	136.5
<b>Investments in joint ventures, total</b>	24.2	49.2	84.2	3.0	200.1	107.5	2.3	470.5



**NOTE 13. FINANCIAL INCOME**

	2014/15	2013/14
Interest, cash and cash equivalents, etc.	0.5	0.6
Interest income from joint ventures	3.3	6.8
Interest income from associates	0.2	0.0
Other interest income	1.0	1.0
<b>Financial income from loans and receivables</b>	<b>5.0</b>	<b>8.4</b>
Interest from securities (held-to-maturity)	0.0	0.1
Foreign-exchange gains from other comprehensive income	0.0	0.1
<b>Total financial income</b>	<b>5.0</b>	<b>8.6</b>

**Which breaks down as follows:**

Interest income from financial assets not measured at fair value through profit and loss	5.0	8.4
Other financial income	0.0	0.2
<b>Total financial income</b>	<b>5.0</b>	<b>8.6</b>

**NOTE 14. FINANCIAL EXPENSES**

	2014/15	2013/14
Interest expenses, credit institutions	70.2	101.5
Interest expenses, joint ventures	2.6	2.4
Other interest expenses	0.5	0.2
Foreign-exchange losses and capital losses on securities	0.4	0.0
Other financial expenses	1.7	1.9
Of which capitalized financial expenses	-12.5	-14.5
Loss on financial assets	0.0	4.0
<b>Total financial expenses</b>	<b>62.9</b>	<b>95.5</b>

**Which breaks down as follows:**

Interest expenses on financial liabilities not measured at fair value through profit and loss	62.9	91.5
Other financial expenses	0.0	4.0
<b>Total financial expenses</b>	<b>62.9</b>	<b>95.5</b>

An interest rate of 1.0 – 6.0 % is used to capitalize interest on projects in progress, depending on the interest rate applicable to the individual project loans (2013/14: 1.0 – 6.0 %).

**NOTE 15. CORPORATE INCOME TAX**

	2014/15	2013/14
Current corporate income tax	9.9	0.8
Adjustment regarding tax relating to prior year(s)	0.0	0.1
Change in deferred tax	2.6	5.3
<b>Tax on profit/loss for the year</b>	<b>12.5</b>	<b>6.2</b>

**The tax on the profit/loss for the year results as follows:**

Tax calculated based on the Danish tax rate of 24.5 % (2013/14: 25 %)	-6.2	-10.7
Difference in tax rate, foreign subsidiaries	0.6	0.6
Adjustment relating to prior year(s)	0.0	0.1
<b>Tax effect of:</b>		
Non-taxable income/expenses	7.9	-2.2
Forfeiture of losses written down in prior years	4.6	0.9
Change in impairment of tax assets, incl. reversal of prior years' impairment regarding the forfeiture of this year's losses	5.6	-28.7
Change of tax rate	0.0	45.9
Other	0.0	0.3
<b>Tax on profit/loss for the year</b>	<b>12.5</b>	<b>6.2</b>
<b>Effective tax rate</b>	<b>-49.6%</b>	<b>-14.5%</b>

**NOTE 16. EARNINGS PER SHARE IN DKK**

	2014/15	2013/14
Earnings in DKK per share (EPS)	-0.4	-0.7
Diluted earnings in DKK per share (EPS-D)	-0.4	-0.7
Profit/loss for the year	-37.7	-49.0
Shareholders' share of profit/loss for the year	-37.7	-49.0
Average number of shares of nom. DKK 1	98,153,335	74,870,019
Average number of shares in circulation of nom. DKK 1	98,153,335	74,870,019

The outstanding warrants do not have a dilutive effect, as the average market price of ordinary shares in the financial year or the comparative year did not exceed the subscription price in the first window. This means that the outstanding warrants are "out-of-the-money" and therefore not included in the diluted average number of shares in circulation. In the long term, the outstanding warrants may have an effect on earnings per share.

**NOTE 17. DIVIDENDS**

In the 2014/15 financial year, no dividends were distributed to the Company's shareholders for the 2013/14 financial year. At the Annual General Meeting on 28 April 2015, the Board of Directors will propose that no dividends be distributed to the Company's shareholders for the 2014/15 financial year.

## NOTE 18. GOODWILL

	31 Jan 2015	31 Jan 2014
Cost at 1 February	47.8	47.8
Additions	0.0	0.0
<b>Cost at 31 January</b>	<b>47.8</b>	<b>47.8</b>
Amortization and impairment at 1 February	14.5	14.5
Impairment for the year	0.0	0.0
<b>Amortization and impairment at 31 January</b>	<b>14.5</b>	<b>14.5</b>
<b>Carrying amount at 31 January</b>	<b>33.3</b>	<b>33.3</b>

The total goodwill relates to the Group's property development and asset management activities in Poland and the Czech Republic.

At 31 January 2015, Management performed an impairment test of the carrying amount of goodwill. The recoverable amount is based on the value in use, which has been determined using the expected cash flows on the basis of budgets approved by the Board of Directors for the next two financial years and budgets/forecasts for another three financial years and recognition of the terminal value in year five. The calculation of the recoverable amount included a discount rate of 15 % before tax (2013/14: 15 %). The budgets for the first three years have been prepared on the basis of Management's expectations for each individual, specific project, including expectations as to project progress, construction period, anticipated financing, contribution margin and date of sale. In this connection, the most important uncertainties relate to the expected contribution margin, compliance with time schedule, etc. and date of sale. For further description, reference is made note 3 Accounting estimates and assessments. The impairment test did not give rise to any recognition of impairment.

Management assesses that significant changes to the basic assumptions would not result in the carrying amount of goodwill exceeding the recoverable amount.

**NOTE 19. INVESTMENT PROPERTIES**

	31.1.2015	31.1.2014
Cost at 1 February	154.5	262.1
Foreign-exchange adjustments, beginning of year	-0.3	0.0
Disposals for the year	-47.3	-107.6
<b>Cost at 31 January</b>	<b>106.9</b>	<b>154.5</b>
Revaluations at 1 February	51.3	94.8
Foreign-exchange adjustments, beginning of year	-0.1	0.0
Revaluations for the year	2.9	9.5
Revaluations reversed	-25.3	-53.0
<b>Revaluations at 31 January</b>	<b>28.8</b>	<b>51.3</b>
<b>Carrying amount at 31 January</b>	<b>78.1</b>	<b>103.2</b>
Rental income, investment properties	2.4	6.5
Direct operating expenses, premises let	-1.2	-1.2
Direct operating expenses, unlet premises	-0.7	-1.6
<b>Net income from investment properties before financing and tax</b>	<b>0.5</b>	<b>3.7</b>

**Investment properties:**

	Location	Ownership in %	Year acquired	m <sup>2</sup>
Lüdenscheid	Germany	100%	1994-1998	16,500

The Group's investment property is measured at fair value (Fair-value hierarchy: Level 3). The valuation of the property is based on a discounted cash-flow model over a ten-year period and a return requirement of 6.5 % p.a. The fair-value measurement is based on expected rental income and operating expenses. Part of the property has not been let, and work is proceeding on a development plan aimed at optimizing and subsequently selling the whole property. Therefore, the valuation is subject to uncertainty. Where sales negotiations with potential investors were ongoing at 31 January 2014, these negotiations formed the basis for the valuation. There have been no changes to the methods used for calculating fair values in the current financial year. No transfers between the different levels of the fair-value hierarchy have been made in the current financial year, and the services of external appraisers have not been used for the valuation.

Otherwise, the most significant non-observable input data is an average rent per square metre of DKK 750 based on full occupancy.

An increase in the return requirement will result in a decline in the fair value of the property, while an increase in the occupancy rate and/or the average rent per square metre will cause the fair value of the property to rise. In Management's opinion, there is not necessarily a direct relationship between changes to the rent per square metre and changes to the return requirement.

**Future minimum rent on irrevocable lease contracts (total for the properties, not taking ownership share into consideration):**

	31 Jan 2015	31 Jan 2014
Within 1 year from reporting date	1.6	2.1
Within 1 - 5 years from reporting date	4.2	4.9
After 5 years from reporting date	0.0	0.7
<b>Total</b>	<b>5.8</b>	<b>7.7</b>

A few lease agreements concluded for completed investment properties stipulate a period during which the agreement is non-terminable by the tenant. Generally, the term of the lease agreements can be extended.

**NOTE 20. DEFERRED TAX**

	31 Jan 2015	31 Jan 2014
Deferred tax assets/tax liabilities at 1 February, net	99.7	102.3
Foreign-exchange adjustment, beginning of year	0.4	-0.1
Deferred tax for the year recognized in profit or loss for the year	-2.6	-5.3
Deferred tax for the year recognized in other comprehensive income	-2.4	2.8
Other additions, net	0.3	0.0
<b>Deferred tax assets/tax liabilities at 31 January, net</b>	<b>95.4</b>	<b>99.7</b>
<b>Deferred tax relates to:</b>		
Investments	1.5	1.5
Property, plant and equipment	0.5	0.6
Other non-current assets	8.2	12.0
Current assets	-4.7	-15.0
Untaxed reserve relating to Sweden	-6.9	-6.8
Provisions	11.3	9.3
Temporary differences	9.9	1.6
Value of tax loss(es)	311.4	318.6
Impairment of tax assets	-225.9	-220.5
<b>Total</b>	<b>95.4</b>	<b>99.7</b>
<b>Deferred tax recognized in balance sheet breaks down as follows:</b>		
Deferred tax assets	114.7	121.6
Deferred tax liabilities	-19.3	-21.9
Deferred tax assets/tax liabilities at 31 January, net	95.4	99.7
<b>Deferred tax assets not recognized in balance sheet:</b>		
Value of tax losses	191.2	184.7
Other non-current assets	8.5	11.0
Current assets	21.2	21.5
Provisions	5.0	3.3
<b>Total</b>	<b>225.9</b>	<b>220.5</b>
<b>Deferred tax liabilities not recognized in balance sheet:</b>		
Contingent retaxation liabilities attaching to German subsidiaries	97.4	97.4

The Company controls whether such tax liabilities will be triggered, which is considered unlikely.

**NOTE 20. DEFERRED TAX, CONTINUED**

31 Jan 2015	Deferred tax assets/tax liabilities at 1 February, net	Recognized in profit/loss	Recognized in other comprehensive income	Other additions, net	Foreign exchange adjustments, beginning of year	Deferred tax assets/tax liabilities at 31 January, net
Investments	1.5	0.0	0.0	0.0	0.0	1.5
Property, plant and equipment	0.6	-0.1	0.0	0.0	0.0	0.5
Other non-current assets	12.0	-3.8	0.0	0.0	0.0	8.2
Current assets	-15.0	12.2	-2.4	0.3	0.2	-4.7
Untaxed reserve relating to Sweden	-6.8	-0.5	0.0	0.0	0.4	-6.9
Provisions	9.3	2.0	0.0	0.0	0.0	11.3
Temporary differences	1.6	9.8	-2.4	0.3	0.6	9.9
Value of tax losses	318.6	-7.3	0.0	0.0	0.1	311.4
Impairment of tax assets	-220.5	-5.1	0.0	0.0	-0.3	-225.9
<b>Total</b>	<b>99.7</b>	<b>-2.6</b>	<b>-2.4</b>	<b>0.3</b>	<b>0.4</b>	<b>95.4</b>

**Deferred tax recognized in other comprehensive income:**

Tax on foreign-exchange adjustments, foreign operations	2.4
Tax on value adjustments of hedging instruments	0.0
<b>Total</b>	<b>2.4</b>

31 Jan 2014	Deferred tax assets/tax liabilities at 1 February, net	Recognized in profit/loss	Recognized in other comprehensive income	Other additions, net	Foreign exchange adjustments, beginning of year	Deferred tax assets/tax liabilities at 31 January, net
Investments	1.5	0.0	0.0	0.0	0.0	1.5
Property, plant and equipment	0.4	0.2	0.0	0.0	0.0	0.6
Other non-current assets	12.4	-0.4	0.0	0.0	0.0	12.0
Current assets	-9.4	-7.8	2.8	-0.2	-0.4	-15.0
Untaxed reserve relating to Sweden	-9.5	2.5	0.0	0.0	0.2	-6.8
Provisions	13.4	-4.1	0.0	0.0	0.0	9.3
Temporary differences	8.8	-9.6	2.8	-0.2	-0.2	1.6
Value of tax losses	342.0	-22.8	0.0	0.0	-0.6	318.6
Impairment of tax assets	-248.5	27.1	0.0	0.0	0.9	-220.5
<b>Total</b>	<b>102.3</b>	<b>-5.3</b>	<b>2.8</b>	<b>-0.2</b>	<b>0.1</b>	<b>99.7</b>

**Deferred tax recognized in other comprehensive income:**

Tax on foreign-exchange adjustments, foreign operations	2.5
Tax on value adjustments of hedging instruments	0.3
<b>Total</b>	<b>2.8</b>

In the 2014/15 financial year TK Development realized a net profit within the group of Danish jointly taxed companies.

A significant share of the total tax asset relates to the Danish share of joint taxation, as the tax loss carryforwards have no expiry date. The valuation of the tax asset is based on existing budgets and profit forecasts for a five-year period. For the first three years, budgets are based on an evaluation of specific projects in the Group's project portfolio. The valuation for the next two years has been based on specific projects in the project portfolio with a longer time horizon than three years as well as various project opportunities. These valuations are subject to substantial uncertainty, for which reason a provision has been made for the risk that projects are postponed or not implemented and the risk that project profits fall below expectations. On this basis, Management assessed the total impairment loss on the tax asset to be DKK 225.9 million at 31 January 2015. At 31 January 2014, total impairment of the tax asset amounted to DKK 220.5 million.



## NOTES, CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 20. DEFERRED TAX, CONTINUED

The impairment of the tax asset relates mainly to Danish tax losses that can be carried forward perpetually, as well as Polish and Czech losses that expire within one to five years.

Reference is made to note 3, accounting estimates and assessments.

### NOTE 21. PROJECTS IN PROGRESS OR COMPLETED

	31 Jan 2015	31 Jan 2014
Projects in progress or completed, excl. interest, etc.	2,050.5	2,381.9
Capitalized interest, etc.	378.0	404.3
Payments received on account	-5.0	-56.1
Impairment	-301.8	-395.5
<b>Total projects in progress or completed</b>	<b>2,121.7</b>	<b>2,334.6</b>
<b>Which breaks down as follows:</b>		
Projects classified as development activities	886.3	919.2
Completed projects classified as asset management	1,082.1	1,166.0
Projects classified as discontinuing activities	153.3	249.4
<b>Total projects in progress or completed</b>	<b>2,121.7</b>	<b>2,334.6</b>

The carrying amount of the portion of the project portfolio on which impairment losses have been recognized is DKK 1,549.0 million (2013/14: DKK 1,015.2 million).

### NOTE 22. TRADE RECEIVABLES

	31 Jan 2015	31 Jan 2014
Receivables from tenants	4.1	7.9
Other trade receivables	67.3	17.7
<b>Total trade receivables</b>	<b>71.4</b>	<b>25.6</b>
<b>Impairment for the year recognized in the income statement</b>	<b>-5.4</b>	<b>-3.0</b>
<b>Impairment at 31 January</b>		
	31 Jan 2015	31 Jan 2014
Impairment at 1 February	10.9	10.1
Correction of opening balance	-0.7	1.3
Foreign-exchange adjustments, beginning of year	0.0	-0.1
Applied for the year	-2.6	-3.4
Provisions for the year	5.7	3.0
Reversed provisions	-0.3	0.0
<b>Impairment at 31 January</b>	<b>13.0</b>	<b>10.9</b>

Any impairment is made to the net realizable value, equal to the sum total of future net cash flows that the receivables are expected to generate. Impairment losses on receivables are calculated on the basis of an assessment of the individual receivables.

The carrying amount of receivables written down to net realizable value based on an individual assessment is DKK 4.1 million. The corresponding amount at 31 January 2014 was DKK 7.9 million. The majority of the written-down receivables are past due. There are no major overdue receivables that have not been written down for impairment.

In by far the most cases, receivables from tenants are secured by deposits or other guarantees, which are included in the basis for any impairments.

No interest income on impaired receivables was recognized as revenue in the 2014/15 financial year or in the comparative year.

**NOTE 23. OTHER SECURITIES AND INVESTMENTS**

	31 Jan 2015	31 Jan 2014
Listed securities	0.2	0.1
Unlisted securities	3.9	3.9
Financial assets available for sale	4.1	4.0
<b>Total other securities and investments</b>	<b>4.1</b>	<b>4.0</b>

The securities consist of listed shares and unlisted equity interests. Listed securities consist of listed shares and are measured at fair value (Fair value hierarchy: Level 1). No transfers have been made between the individual levels of the fair-value hierarchy in the current financial year. Unlisted equity interests available for sale are not traded in an active market. As the fair value of these equity interests cannot be determined with a sufficient degree of reliability, they are measured at cost.

**NOTE 24. SHARE CAPITAL**

The share capital consist of 98,153,335 shares of each DKK 1. The share capital has been paid up in full. The shares are not divided into several share classes, and no shares are subject to special rights or restrictions, including restrictions with regard to the payment of dividend and repayment of capital.

**Changes in the share capital over the past five years:**

	Number in thousands		Nominal value	
	Changes	Year-end	Changes	Year-end
2010/11:				
Capital reduction on change of share denomination from nom. 20 to nom. 15	-	28,043.8	-140.2	420.7
Capital increase against cash payment	14,021.9	42,065.7	210.3	631.0
2011/12	-	42,065.7	0.0	631.0
2012/13	-	42,065.7	0.0	631.0
2013/14:				
Capital reduction on change of share denomination from nom. 15 to nom. 1	-	42,065.7	-588.9	42.1
Capital increase against cash payment	56,087.6	98,153.3	56.1	98.2
<b>2014/15</b>	<b>-</b>	<b>98,153.3</b>	<b>0.0</b>	<b>98.2</b>

The Group did not hold treasury shares in the 2014/15 financial year or in the comparative year.

**NOTE 25. OTHER RESERVES**

	Special reserve	Reserve for value adjustment for avail- able-for-sale financial assets	Reserve for value adjustment of hedging instruments	Reserve for foreign exchange adjustments	Total
<b>Other reserves at 1 February 2013</b>	0.0	-0.1	-0.7	6.1	5.3
Capital decrease	588.9	0.0	0.0	0.0	588.9
Premium on capital increase	174.4	0.0	0.0	0.0	174.4
Costs on share issue	-11.6	0.0	0.0	0.0	-11.6
Premium on capital increase transferred to distributable reserves	-162.8	0.0	0.0	0.0	-162.8
<b>Other comprehensive income:</b>					
Other comprehensive income after tax in joint ventures	0.0	0.0	0.0	6.1	6.1
Exchange-rate adjustment, foreign operations	0.0	0.0	0.0	-13.1	-13.1
Value adjustment of hedging instruments	0.0	0.0	-2.3	0.0	-2.3
Deferred tax on other comprehensive income	0.0	0.0	0.3	2.5	2.8
<b>Other reserves at 31 January 2014</b>	588.9	-0.1	-2.7	1.6	587.7
Special reserve transferred to distributable reserves	<b>-588.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-588.9</b>
<b>Other comprehensive income:</b>					
Other comprehensive income after tax in joint ventures	0.0	0.0	0.5	-5.9	-5.4
Exchange-rate adjustment, foreign operations	0.0	0.0	0.0	0.9	0.9
Value adjustment of hedging instruments	0.0	0.0	0.2	0.0	0.2
Deferred tax on other comprehensive income	0.0	0.0	0.0	-2.4	-2.4
<b>Other reserves at 31 January 2015</b>	0.0	-0.1	-2.0	-5.8	-7.9

Special reserves amounted to DKK 588.9 million at 31 January 2014 and concern a special fund arising in connection with the capital reduction implemented in June 2013, when the denomination of the Group's shares was changed from DKK 15 to DKK 1. At the General Meeting on 30 April 2014, it was resolved to transfer the special fund of DKK 588.9 million to distributable reserves.

The reserve for value adjustment of financial assets available for sale comprises the accumulated net change in the fair value of financial assets classified as available for sale. The reserve is dissolved as the relevant financial assets are sold or expire.

The reserve for value adjustment of hedging instruments comprises the accumulated net change in the fair value of forward-exchange transactions and interest-rate hedging transactions concluded to hedge future transactions.

The reserve for foreign-exchange adjustments comprises all foreign-exchange adjustments arising on the translation of financial statements for enterprises with a functional currency other than Danish kroner; foreign-exchange adjustments relating to assets and liabilities that are part of the Group's net investment in such enterprises; and foreign-exchange adjustments relating to any hedging transactions that hedge the Group's net investment in such enterprises. On the sale or winding-up of subsidiaries, the accumulated foreign-exchange adjustments recognized in other comprehensive income in respect of the relevant subsidiary are transferred to the profit or loss.

**NOTE 26. CREDIT INSTITUTIONS**

	31 Jan 2015	31 Jan 2014
Payables to credit institutions are recognized as follows in the balance sheet:		
Non-current liabilities	0.0	52.0
Current liabilities	1,195.3	1,566.6
<b>Total payables to credit institutions</b>	<b>1,195.3</b>	<b>1,618.6</b>
Fair value	1,196.3	1,621.7
Carrying amount	1,195.3	1,618.6

The fair value has been determined at the present value of future principal repayments and interest payments by using the effective interest method (Fair value hierarchy: Level 2).

**At 31 January, the Group had the following loans and credits::**

Loans	Maturity	Fixed/ variable	Effective rate		Carrying amount		Fair value	
			2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Mortgage credit DKK	2027	variable	5 - 5.5 %	1 - 5.25 %	25.3	24.8	27.2	27.9
Bank DKK	2015	variable	3 - 5 %	2.5 - 5.5 %	242.9	530.8	242.9	530.8
Bank DKK	2015	fixed	5 %	5 %	494.5	530.9	493.6	530.9
Bank SEK	-	variable	4.5 - 5.5 %	5 - 5.4 %	0.0	25.2	0.0	25.2
Bank PLN	2017	variable	5.3 - 7.25 %	7 - 7.25 %	97.6	91.6	97.6	91.6
Bank CZK	2015-2017	variable	3.5 - 4.75 %	3.5 - 4.25 %	31.6	36.4	31.6	36.4
Bank EUR	2015-2016	variable	3.25 - 4.75 %	1.6 - 6 %	303.4	378.9	303.4	378.9
<b>Total</b>					<b>1,195.3</b>	<b>1,618.6</b>	<b>1,196.3</b>	<b>1,621.7</b>

**NOTE 27. PROVISIONS**

	31 Jan 2015	31 Jan 2014
Provisions at 1 February	9.6	15.4
Applied during the year	-7.2	-12.8
Reversed rent guarantees	0.0	-0.5
Provisions for the year	13.1	7.5
<b>Provisions at 31 January</b>	<b>15.5</b>	<b>9.6</b>

**Expected maturity dates of the liabilities provided for:**

	31 Jan 2015	31 Jan 2014
0-1 year	15.0	9.6
1-5 years	0.5	0.0
<b>Provisions at 31 January</b>	<b>15.5</b>	<b>9.6</b>

Provisions consist of rent guarantee liabilities for sold properties and relate to guarantees issued by the Group in a few cases towards the buyers of the properties. Rent guarantee liabilities have been calculated based on experience with rent guarantees and an individual assessment of each lease.

## NOTE 28. OPERATING LEASES

For the years 2015-2020, operating leases for the rental of office premises, office machines and operating equipment have been concluded. The leases have been concluded for a one to five-year period with fixed lease payments that are index-adjusted annually. The leases are non-terminable for the period mentioned, after which it is expected that the majority can be renewed for one to three-year periods.

### Future minimum lease payments according to non-terminable lease contracts break down as follows:

	2014/15	2013/14
Within 1 year	7.1	9.1
Within 1-5 years	9.0	12.6
After 5 years	0.2	0.0
<b>Total</b>	<b>16.3</b>	<b>21.7</b>
Minimum lease payments for the year recognized in the income statement	9.3	10.8

## NOTE 29. OTHER DEBT

	31 Jan 2015	31 Jan 2014
Employee-related payables	4.8	4.9
Holiday pay obligations	6.6	6.8
Derivative financial instruments (hedging instruments)	1.6	1.8
Other debt	30.9	42.7
<b>Other debt, total</b>	<b>43.9</b>	<b>56.2</b>

### Broken down as follows under liabilities:

	31 Jan 2015	31 Jan 2014
Non-current liabilities	0	0.0
Current liabilities	43.9	56.2
<b>Other debt, total</b>	<b>43.9</b>	<b>56.2</b>

The carrying amount of employee-related payables consisting of salaries, personal income tax, social security contributions, holiday pay, etc., project-related costs and other costs payable is equal to the fair value of these payables.

Holiday pay obligations represent the Group's liability to pay salary during holiday periods to which the employees had earned entitlement by the reporting date and which are to be taken in the following financial year(s).

Derivative financial instruments concern interest-rate hedging transactions and are classified as financial liabilities used as hedging instruments, measured at fair value.

## NOTE 30. CONTINGENT ASSETS AND LIABILITIES AS WELL AS SECURITY FURNISHED

### Contingent assets

A contingent asset in the form of deferred tax assets not recognized appears from note 20.

### Contingent liabilities and security furnished

	31 Jan 2015	31 Jan 2014
Surety and guarantee commitments on behalf of associates	23.8	26.1
Surety and guarantee commitments on behalf of joint ventures	268.1	13.1
Share of surety and guarantee commitments in joint ventures	0.0	0.8
Other surety and guarantee commitments	71.8	82.6
Carrying amount of projects in progress or completed and contract work in progress furnished as security to credit institutions	1,953.4	2,165.0
Carrying amount of escrow account deposits, etc., investments, receivables and investment properties as security to credit institutions	336.0	292.3

**NOTE 30. CONTINGENT ASSETS AND LIABILITIES AS WELL AS SECURITY FURNISHED, CONTINUED**

The below figures in brackets are comparative figures for 2013/14.

The amounts stated for surety and guarantee commitments on behalf of associates and joint ventures are the upper limits. The Group's other surety and guarantee commitments consist primarily of the Group's total rent guarantee commitments for which no provisions have been made in the financial statements. The provisions made in the financial statements relate to the rent guarantees that are likely to be called up.

The Group's project portfolio amounts to DKK 2,121.7 million (DKK 2,334.6 million), of which DKK 1,953.4 million (DKK 2,165.0 million) has been furnished as security to the credit institutions that have granted building credits or mortgage credit loans. The carrying amount of escrow account deposits, etc., and other assets, DKK 336.0 million (DKK 292.3) consists of security furnished in the form of escrow accounts etc., DKK 45.8 million (DKK 46.0 million), investment properties, DKK 78.1 million (DKK 103.2 million), investments in joint ventures DKK 159.4 million (DKK 143.1) and receivables DKK 52.7 million (DKK 0.0 million).

TK Development has entered into construction contracts regarding the execution of projects wholly or partly owned by the Group. The total contract sum amounts to DKK 168.8 million (DKK 197.9 million).

Usual performance bonds have been furnished for construction works performed. The performance bonds have been issued via a credit insurance company. To a large extent, any work to be carried out under performance bonds will be attributable to subcontractors.

TK Development can in some cases be required to make the necessary funds available to joint ventures in step with the development and execution of specific projects, or might be required to contribute further capital where this is necessary.

TK Development is currently party to the following lawsuit that is of relevance due to its scope:

In the summer of 2002, De Samvirkende Købmænd, a trade association of grocery retailers, filed a complaint with the Nature Protection Board of Appeal (Naturklagenævnet) in respect of the City of Copenhagen's approval of the layout of the Field's department store. In particular, the claim asserted that the Field's department store is not one department store, but that it consists of several individual stores. The Nature Protection Board of Appeal made its decision in the matter on 19 December 2003, after which the department store layout was approved. De Samvirkende Købmænd subsequently took out a writ against the Nature Protection Board of Appeal before the Danish High Court. At the beginning of 2011, the High Court gave judgment in favour of De Samvirkende Købmænd. Neither the owner of the centre nor any company in the TK Development Group is a direct party to the case, but the High Court's judgment may have the effect that the Field's department store will have to be redesigned following negotiations with the relevant local authorities. As a result of the judgment, the owner of Field's may have to incur the financial burden of causing the necessary changes to the building layout, and in that connection it cannot be ruled out that a claim may be made against the Group. Regardless of the judgment, Management still believes the risk of this case to be negligible.

In addition, the Group is involved in a few disputes, none of which is deemed to have a scope that, either individually or collectively, may affect the Group's performance to any appreciable extent.

The contingent retaxation liability attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounts to DKK 97.4 million (DKK 97.4 million). The Company controls whether such tax liabilities will be triggered, which is considered unlikely.



**NOTE 31. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS****Capital management**

The Group's capital structure consists of equity, cash and cash equivalents and payables to credit institutions.

The Company's Management reviews the Group's capital structure on a regular basis, as well as the need for any adjustments. Management's overall aim is to provide a capital structure that supports the Group's earnings potential, while at the same time ensuring the best possible relation between equity and loan capital and thus maximizing the return for the Company's shareholders.

**Financial targets**

The Group has adopted a solvency target corresponding to a solvency ratio of around 30 %, and compliance with this target also represents a covenant that commits the Group vis-à-vis its main banker. This target was met throughout the financial year. In March 2013 the Board of Directors adopted a goal of achieving a solvency ratio of about 40 %. The solvency ratio was 53.1 % at 31 January 2015 (31 January 2014: 46.4 %).

**Liquidity covenant**

The Group has used liquidity covenants for quite some years. In short, the liquidity covenant expresses that the Group's cash resources – to enable the Group to cover liabilities requiring substantial liquidity - must at any time correspond to the fixed costs for the next six-month period, excluding funds received as proceeds from projects sold, but including project liabilities materializing within the next six months.

The covenant represents a liquidity target for the whole Group and a commitment to the Group's main banker. The covenant must be calculated and met before projects requiring liquidity can be acquired and initiated.

The covenant is expressed as follows:  $L + K > E + O + R$ , where:

- L= The TK Development Group's free cash resources in the form of deposits with banks and the value of listed Danish government and mortgage bonds with a term to maturity of less than five years.
- K= The TK Development Group's amounts available on committed operating credit facilities from time to time.
- E= The planned impact on cash resources from the projects which the TK Development Group is obliged to complete within six months, including the new/expanded project, taking into account committed project credit facilities from financial institutions and forward funding.
- O= The TK Development Group's cash non-project-related capacity costs for the following six months less management fees falling due within six months. In addition, pre-agreed project fees from final and binding agreements with project investors falling due within six months are to be set off against the amount.
- R= Interest accruing on the TK Development Group's operating credit facilities for the following six months.

The Group's liquidity covenant was met during the year under review.

**Dividend policy**

TK Development's long-term policy is to distribute a portion of the year's profit as dividends or alternatively via a share repurchase programme. This will always be done with due regard for the Group's capital structure, solvency, cash resources and investment plans.

**Breach of loan agreements**

In the 2014/15 financial year, TK Development has been in dialogue with credit institutions about the need for adjusting the terms of a few loans. The dialogue is ongoing, and it is expected that the terms will be agreed upon after the reporting date.

**NOTE 31. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED**
**Categories of financial instruments**

	31 Jan 2015	31 Jan 2014
Other securities and investments, non-current	14.2	0.3
<b>Financial assets held to maturity</b>	<b>14.2</b>	<b>0.3</b>
Trade receivables	71.4	25.6
Receivables from joint ventures	124.2	145.8
Receivables from associates	6.6	16.6
Other receivables	19.4	19.2
Cash, cash equivalents, blocked and escrow accounts	69.4	52.1
<b>Loans and receivables</b>	<b>291.0</b>	<b>259.3</b>
Securities	4.1	4.0
<b>Financial assets available for sale</b>	<b>4.1</b>	<b>4.0</b>
Credit institutions	1,195.3	1,618.6
Trade payables	49.1	53.4
Other debt	42.3	54.4
<b>Financial liabilities measured at amortized cost</b>	<b>1,286.7</b>	<b>1,726.4</b>
Derivative financial instruments entered into to hedge interest rates	1.6	1.8
<b>Hedging instruments</b>	<b>1.6</b>	<b>1.8</b>

**The Group's risk management policy**

As a consequence of its activities, TK Development is exposed to fluctuations in foreign-exchange and interest rates. The overall objective of the Group's risk policy is to manage risks and exposures and thus minimize the negative effects on earnings and cash flows. To the extent possible, the Parent Company manages the Group's financial risks centrally and coordinates the Group's liquidity management, including the raising of funds and the investment of surplus funds.

**Foreign-exchange risks**

The Group primarily hedges its foreign-exchange risks by matching the currency of payments received with the currency of payments made. As a main rule, the financing of the individual projects, whether raised with credit institutions or by forward funding, is raised in the same currency as the currency agreed upon or expected to be used for the project sale. Likewise, the main rule is for construction contracts to be concluded in the project invoicing currency. In the cases where the Company concludes the construction contract in a different currency than the relevant project's invoicing currency, it will be assessed in each case whether the foreign-exchange risk is to be hedged through a forward agreement or other derivative financial instruments. In the 2014/15 financial year and in the comparative year, the Group did not enter into any forward agreements or other financial instruments.

**Interest-rate risks**

As a main rule, the TK Development Group finances its projects in progress by way of short-term, floating-rate bank loans or by forward funding, generally based on a fixed interest rate. Other interest-bearing debt is largely subject to variable interest (floating-rate debt).

Based on the Group's risk policy, Management regularly assesses whether a portion of its loans should be hedged by financial instruments. In the financial year 2014/15 the Group did not enter into new interest swaps to hedge interest-rate-risks on floating-rate debt. In the comparative year the Group had one interest swap which expires in 2016.

**NOTE 31. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED**
**Liquidity risks**

The Group manages its liquidity risks by using continuous short-term cash budgets and long-term cash budgets that cover several years. The Group aims to continuously secure an optimum liquidity buffer to make efficient use of its cash resources in case of unforeseen fluctuations in cash withdrawals. The Group aims to optimize its liquidity buffer by the sale of completed projects and plots of land, by raising loans or by entering into forward funding agreements for its projects in progress.

**Credit risks**

In connection with the sale of the Group's projects, the title to a project does not pass to the investor until payment has been effected. Thus, the Group's sale of projects does not generally generate credit risks as such. Each receivable is assessed individually, after which any necessary impairment losses are recognized.

The maximum credit risks associated with securities, equity investments, trade receivables, other receivables, cash and cash equivalents and deposits in blocked and escrow accounts correspond to their carrying amounts. The impairment losses for the year relating to trade receivables appear from note 22.

Impairment losses on other financial assets amount to DKK 0.0 million in the financial year 2014/15 (2013/14: DKK 4.0 million). The carrying amount of other receivables written down to net realizable value amounts to DKK 2.2 million (2013/14: DKK 2.2 million).

**Foreign-exchange risks relating to recognized assets and liabilities:**

	Cash, cash equivalents, blocked accounts and securities	Receivables	Credit institutions	Liabilities	Unsecured net position
<b>2014/15</b>					
EUR	0.3	73.5	-303.4	-4.9	-234.5
SEK	18.6	0.3	0.0	-22.6	-3.7
PLN	22.7	12.2	-97.6	-20.5	-83.2
CZK	3.2	7.2	-31.6	-1.0	-22.2
<b>31 Jan 2015</b>	<b>44.8</b>	<b>93.2</b>	<b>-432.6</b>	<b>-49.0</b>	<b>-343.6</b>
<b>2013/14</b>					
EUR	4.8	95.6	-378.9	-44.6	-323.1
SEK	0.3	4.4	-25.2	-7.2	-27.7
PLN	25.1	25.2	-91.6	-10.9	-52.2
CZK	2.0	7.6	-36.4	-4.6	-31.4
<b>31 Jan 2014</b>	<b>32.2</b>	<b>132.8</b>	<b>-532.1</b>	<b>-67.3</b>	<b>-434.4</b>

Sensitivity of equity to foreign-exchange fluctuations	2014/15	2013/14
Effect if the EUR rate were 10 % lower than the actual rate	17.7	24.4
Effect if the SEK rate were 10 % lower than the actual rate	0.3	2.1
Effect if the PLN rate were 10 % lower than the actual rate	6.4	3.7
Effect if the CZK rate were 10 % lower than the actual rate	1.7	2.4

Sensitivity of profit/loss to foreign-exchange fluctuations	2014/15	2013/14
Effect if the EUR rate were 10 % lower than the actual rate	17.7	24.4
Effect if the SEK rate were 10 % lower than the actual rate	0.3	2.1
Effect if the PLN rate were 10 % lower than the actual rate	6.4	3.9
Effect if the CZK rate were 10 % lower than the actual rate	1.7	2.4

**NOTE 31. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED**

The Group's major foreign-exchange exposures relate to EUR, SEK, PLN and CZK. The above calculations show the effect on equity and profit or loss if the rate of the relevant currency had been 10 % lower than the actual rate. A corresponding increase in foreign-exchange rates would have a corresponding negative impact on profit or loss and equity.

**Interest-rate risks and the dates of revaluation or maturity regarding financial assets and liabilities:**

2014/15	Date of revaluation/maturity			Total	Effective rate in %
	0 - 1 year	1 - 5 years	> 5 years		
Other securities and investments, non-current	0.4	12.2	1.6	14.2	0 - 2.5 %
Other securities and investments, current	4.1	0.0	0.0	4.1	0 %
Trade receivables	71.4	0.0	0.0	71.4	0 %
Receivables from joint ventures	124.2	0.0	0.0	124.2	0 - 8 %
Other receivables	19.4	0.0	0.0	19.4	0 - 7 %
Deposits with credit institutions (cash, cash equivalents and blocked and escrow accounts)	69.4	0.0	0.0	69.4	0 - 3 %
Receivables from associates	1.9	4.7	0.0	6.6	0 - 6 %
Trade payables	-49.1	0.0	0.0	-49.1	0 %
Other debt	-43.9	0.0	0.0	-43.9	0 %
Payables to credit institutions	-863.1	-306.9	-25.3	-1,195.3	3 - 7.25 %
Interest payments on loans	-26.1	-23.5	-11.1	-60.7	
<b>Total at 31 January 2015</b>	<b>-691.4</b>	<b>-313.5</b>	<b>-34.8</b>	<b>-1,039.7</b>	

2013/14	Date of revaluation/maturity			Total	Effective rate in %
	0 - 1 year	1 - 5 years	> 5 years		
Other securities and investments, non-current	0.0	0.3	0.0	0.3	0 %
Other securities and investments, current	4.0	0.0	0.0	4.0	0 %
Trade receivables	25.6	0.0	0.0	25.6	0 %
Receivables from joint ventures	145.8	0.0	0.0	145.8	0 - 8 %
Other receivables	19.2	0.0	0.0	19.2	0 - 8 %
Deposits with credit institutions (cash, cash equivalents and blocked and escrow accounts)	52.1	0.0	0.0	52.1	0 - 3 %
Receivables from associates	12.0	4.6	0.0	16.6	0 - 6 %
Trade payables	-53.4	0.0	0.0	-53.4	0 %
Other debt	-56.2	0.0	0.0	-56.2	0 - 7.5 %
Payables to joint ventures	-20.7	0.0	0.0	-20.7	7 - 7.5 %
Payables to credit institutions	-84.1	-1,418.4	-116.1	-1,618.6	3.3 - 7.5 %
Interest payments on loans	-75.5	-46.3	-10.0	-131.8	
<b>Total at 31 January 2014</b>	<b>-31.2</b>	<b>-1,459.8</b>	<b>-126.1</b>	<b>-1,619.1</b>	

The fair value at 31 January 2015 of outstanding interest swaps entered into to hedge interest-rate risks on floating-rate loans amounts to DKK 1.6 million. The interest swap contract expires in 2016. The income statement was not affected by hedge inefficiency in the 2014/15 financial year or in the year of comparison.

With regard to interest-rate sensitivity, an increase in the interest level of 1 % p.a. compared to the interest level at the reporting date in respect of the Group's variable-interest deposits with and payables to credit institutions would have a negative impact on the profit or loss for the year, and thus on equity, of DKK 4.8 million for a full year. A fall in the interest level of 1 % p.a. would result in a corresponding positive impact on the profit or loss for the year and on equity. For the 2013/14 financial year, the interest-rate sensitivity in case of a change in the interest level of 1 % p.a. would have a DKK 7.3 million impact for a full year.

**Liquidity risks**

The maturity dates of financial liabilities are specified for the individual categories of liabilities in the notes, with the exception of trade payables and other debt largely falling due for payment within one year. The TK Development Group's liquidity reserve consists of cash and cash equivalents as well as unutilized operating credit facilities.

**NOTE 31. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED**

	2014/15	2013/14
<b>The liquidity reserve breaks down as follows:</b>		
Cash and cash equivalents	23.6	6.1
Unutilized operating credit facilities	198.9	4.7
<b>Total</b>	<b>222.5</b>	<b>10.8</b>
Deposited funds for later release	45.8	46.0
<b>Total liquidity reserve</b>	<b>268.3</b>	<b>56.8</b>

**NOTE 32. TRANSACTIONS WITH RELATED PARTIES**

The Company has no related parties with a controlling interest.

The Company has the following related parties:

- Board of Directors and Executive Board (and their related parties)
- Joint ventures and associates; see the overview of group companies, note 35.

	2014/15	2013/14
<b>Board of Directors and Executive Board (and their related parties):</b>		
Holding of shares, in terms of number (balance)	30,958,931	26,519,562
Obligation towards Executive Board, employee bonds (balance)	0.0	0.5
Remuneration, Board of Directors	1.4	1.5
Remuneration, Executive Board, see note 8	5.2	6.0
Interest expenses, project financing from Board of Directors and Executive Board	0.0	1.3
Repayment, project financing from Board of Directors and Executive Board	0.0	-20.7
<b>Joint ventures:</b>		
Fees from joint ventures	14.8	2.8
Interest income from joint ventures	3.3	6.8
Interest expenses, joint ventures	-2.6	-2.4
Receivables from joint ventures (balance)	124.2	145.8
Payables to joint ventures (balance)	0.0	20.7
<b>Associates:</b>		
Interest income from associates	0.2	0.0
Receivables from associates (balance)	6.6	16.6

Suretyships and guarantees have been issued on behalf of joint ventures and associates; see note 30.

Apart from the above, there were no transactions with related parties in the year under review. In accordance with the accounting policies, transactions with subsidiaries are eliminated in the consolidated financial statements.

No security or guarantees had been furnished for balances owing to or by related parties at the reporting date.

Receivables and payables are settled by payment in cash. No losses were realized on receivables from related parties. In 2014/15 and the comparative year no impairment was made to provide for any probable losses on receivables from related parties.



### NOTE 33. POST-BALANCE SHEET EVENTS

After the reporting date, in relation to the shopping centre project BROEN in Esbjerg, Denmark, TK Development has concluded a conditional agreement with CapMan Real Estate, which will join the project at its current stage, with a 65 % ownership interest, and thus participate in completing its development. The agreement is subject to the condition that the CSM approval is obtained.

At 31 January 2015 project credit facilities of DKK 0.5 billion were due to expire prior to the end of January 2016. These credits have largely been extended after the reporting date.

TK Development has a general agreement with the Group's main banker about operating and project credits. The agreement is usually renegotiated once a year and runs until 1 May 2015. After the reporting date, the agreement was extended until 1 May 2016.

Other than those mentioned in the Management Commentary, no significant events of relevance to the Company have occurred after the reporting date.

### NOTE 34. APPROVAL OF ANNUAL REPORT FOR PUBLICATION

At the board meeting on 27 March 2015, the Board of Directors approved the Annual Report for publication. The Annual Report will be submitted to the Company's shareholders for adoption at the Annual General Meeting on 28 April 2015.



**NOTE 35. OVERVIEW OF GROUP COMPANIES**

No parent companies other than the listed company TK Development A/S prepare consolidated financial statements.

## The TK Development Group's subsidiaries

Name	Reg. office	Ownership interest	Name	Reg. office	Ownership interest
TK Bygge-Holding A/S	Aalborg	100 %	Nowa Wilda Sp. z o.o.	Warsaw	100 %
TK Bygge-Holding Russia A/S	Aalborg	100 %	TK Polska Development II Sp. z o.o.	Warsaw	100 %
TKD Projekt A/S	Aalborg	100 %	TK Development Sp. z o.o. in liquidation	Warsaw	100 %
Kommanditaktieselskabet Frederikssund Shoppingcenter	Aalborg	100 %	TK Czech Operations s.r.o.	Prague	100 %
Driftsselskabet Frederikssund ApS	Aalborg	100 %	Euro Mall Ceske Budejovice s.r.o.	Prague	100 %
Kommanditaktieselskabet Esbjerg Shoppingcenter	Aalborg	100 %	TK Czech Development III s.r.o.	Prague	100 %
Komplementarselskabet Esbjerg Shoppingcenter ApS	Aalborg	100 %	Euro Mall Bohemia s.r.o.	Prague	100 %
Euro Mall Holding A/S	Aalborg	100 %	Euro Mall City s.r.o.	Prague	100 %
K/S Tampere IV, Finland	Copenhagen	100 %	Euro Mall Delta s.r.o.	Prague	100 %
ApS Komplementarselskabet Tampere retail IV, Finland in liquidation	Copenhagen	100 %	Euro Mall Event s.r.o.	Prague	100 %
Projektselskabet Køge Centrum P/S	Aalborg	100 %	Euro Mall Praha a.s.	Prague	100 %
Komplementarselskabet TK-DK ApS	Aalborg	100 %	TK Development Slovakia s.r.o.	Bratislava	100 %
Euro Mall Sweden AB	Stockholm	100 %	UAB TK Development Lietuva	Vilnius	100 %
TK Development Sweden Holding AB	Stockholm	100 %	SIA TKD Retail Park	Riga	100 %
TK Projekt AB	Stockholm	100 %	SIA "KK"	Riga	100 %
EMÖ Projekt AB	Stockholm	100 %	Euro Mall Luxembourg S.A.	Luxembourg	100 %
EMÖ Center AB	Stockholm	100 %	Euro Mall Czech & Slovakia Invest B.V.	Amsterdam	100 %
TK Utveckling AB	Stockholm	100 %	Euro Mall Sterboholly Holding B.V.	Amsterdam	100 %
Enebyängen Fastighets AB Stockholm	Stockholm	100 %	TK Development Bau GmbH	Berlin	100 %
TKD Suomi OY	Helsinki	100 %	TK Development GmbH	Berlin	100 %
OY TKD Construction Finland	Helsinki	100 %	TKH Datzeberg Grundstücksgesellschaft mbH	Berlin	100 %
Kaarinan Kauppakuutonen OY	Helsinki	100 %	TKH Oranienburg Grundstücksgesellschaft mbH	Berlin	100 %
TK Polska Operations S.A.	Warsaw	100 %	TKH Mahlow Wohnungsbaugesellschaft mbH	Berlin	100 %
			TKH Ferienwohnungsgesellschaft mbH		
Euro Mall Polska X Sp. z o.o.	Warsaw	100 %	in liquidation	Berlin	100 %
Euro Mall Targówek III Sp. z o.o.	Warsaw	100 %	EKZ Datzeberg Scan-Car GmbH	Berlin	100 %
Euro Mall Polska XV Sp. z o.o.	Warsaw	100 %	EKZ Datzeberg Scan-Car GmbH & Co. KG	Berlin	100 %

The companies are included in the consolidated financial statements by full consolidation.

## The TK Development Group's joint ventures

Kommanditaktieselskabet Østre Havn P/S	Aalborg	50 %	The Yard, Beddingen P/S	Aalborg	50 %
Østre Havn ApS	Aalborg	50 %	Komplementarselskabet Beddingen ApS	Aalborg	50 %
Ringsted Outlet Center P/S	Aalborg	50 %	Ejendomsselskabet Smallegade P/S	Aalborg	59.65 %
SPV Ringsted ApS	Aalborg	50 %	Komplementarselskabet Smallegade ApS	Aalborg	59.65 %
Ringsted Retail Company ApS	Aalborg	50 %	Euro Mall Polska XIV Sp. z o.o.	Warsaw	30 %
Kommanditaktieselskabet Danlink - Udvikling	Copenhagen	50 %	Euro Mall Polska XXIII Sp. z o.o.	Warsaw	30 %
Komplementarselskabet DLU ApS	Copenhagen	50 %	Euro Mall Ventures S.á r.l.	Luxembourg	20 %
Ahlgade 34 - 36 A/S	Aalborg	50 %	Euro Mall Luxembourg JV S.á r.l.	Luxembourg	30 %
Udviklingselskabet Nordkranen A/S	Copenhagen	50 %			

The companies are recognized in the consolidated financial statements according to the equity method.

## Associates

Step Re CSP Invest I A/S	Herning	50 %	Trøjborg ApS	Ikast-Brande	20 %
Amerika Plads C P/S	Aalborg	25 %	Pedersen Fritscheshof Neubrandenburg KG	Hamburg	35 %
Komplementarselskabet Amerika Plads C ApS	Aalborg	25 %	Camacuri s.r.o.	Prague	45 %

The companies are recognized in the consolidated financial statements according to the equity method.



## PARENT COMPANY FINANCIAL STATEMENTS

### INCOME STATEMENT

DKKm	Note	2014/15	2013/14
Net revenue		0.0	0.0
External direct project costs		0.0	0.0
<b>Gross profit/loss</b>		<b>0.0</b>	<b>0.0</b>
Other external expenses	3	3.1	3.3
Staff costs	4	1.6	2.1
<b>Total</b>		<b>4.7</b>	<b>5.4</b>
<b>Operating profit/loss</b>		<b>-4.7</b>	<b>-5.4</b>
Income from investments in associates	7	-100.0	-130.0
Financial income	8	75.9	69.3
Financial expenses	9	-3.6	-5.9
<b>Total</b>		<b>-27.7</b>	<b>-66.6</b>
<b>Profit/loss before tax</b>		<b>-32.4</b>	<b>-72.0</b>
Tax on profit/loss for the year	10	16.9	14.8
<b>Profit/loss for the year</b>		<b>-49.3</b>	<b>-86.8</b>

### COMPREHENSIVE INCOME STATEMENT

Profit/loss for the year		-49.3	-86.8
<b>Comprehensive income for the year</b>		<b>-49.3</b>	<b>-86.8</b>

## PARENT COMPANY FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 Jan 2015	31 Jan 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		5.1	5.1
<b>Intangible assets</b>		<b>5.1</b>	<b>5.1</b>
Investments in group enterprises	7	643.2	718.1
Receivables from group enterprises		1,365.6	1,371.8
<b>Financial assets</b>		<b>2,008.8</b>	<b>2,089.9</b>
Deferred tax assets	11	10.1	19.3
<b>Other non-current assets</b>		<b>10.1</b>	<b>19.3</b>
<b>Non-current assets</b>		<b>2,024.0</b>	<b>2,114.3</b>
<b>Current assets</b>			
Prepayments		0.5	0.2
<b>Receivables</b>		<b>0.5</b>	<b>0.2</b>
Other securities and investments	12	4.1	4.0
Cash and cash equivalents		0.1	0.1
<b>Current assets</b>		<b>4.7</b>	<b>4.3</b>
<b>ASSETS</b>		<b>2,028.7</b>	<b>2,118.6</b>



## PARENT COMPANY FINANCIAL STATEMENTS

### BALANCE SHEET

DKKm	Note	31 Jan 2015	31 Jan 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	98.2	98.2
Other reserves	13	0.0	588.9
Retained earnings		1,853.9	1,314.2
<b>Equity</b>		<b>1,952.1</b>	<b>2,001.3</b>
<b>Liabilities</b>			
Provisions	15	19.2	19.2
<b>Non-current liabilities</b>		<b>19.2</b>	<b>19.2</b>
Credit institutions	14	47.0	81.5
Trade payables		0.6	0.5
Corporate income tax		7.7	12.7
Other debt	17	2.1	3.4
<b>Current liabilities</b>		<b>57.4</b>	<b>98.1</b>
<b>Liabilities</b>		<b>76.6</b>	<b>117.3</b>
<b>EQUITY AND LIABILITIES</b>		<b>2,028.7</b>	<b>2,118.6</b>

## PARENT COMPANY FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

DKKm	Share capital	Other reserves	Retained earnings	Total equity
Equity at 1 February 2013	631.0	0.0	1,237.6	1,868.6
Profit for the year	0.0	0.0	-86.8	-86.8
Other comprehensive income for the year	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>-86.8</b>	<b>-86.8</b>
Capital decrease	-588.9	588.9	0.0	0.0
Capital increase	56.1	0.0	0.0	56.1
Premium on capital increase	0.0	174.4	0.0	174.4
Costs on share issue	0.0	-11.6	0.0	-11.6
Premium on capital increase transferred to distributable reserves	0.0	-162.8	162.8	0.0
Share-based payment	0.0	0.0	0.6	0.6
<b>Equity at 31 January 2014</b>	<b>98.2</b>	<b>588.9</b>	<b>1,314.2</b>	<b>2,001.3</b>
Profit for the year	0.0	0.0	-49.3	-49.3
Other comprehensive income for the year	0.0	0.0	0.0	0.0
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>-49.3</b>	<b>-49.3</b>
Special reserve transferred to distributable reserves	0.0	-588.9	588.9	0.0
Share-based payment	0.0	0.0	0.1	0.1
<b>Equity at 31 January 2015</b>	<b>98.2</b>	<b>0.0</b>	<b>1,853.9</b>	<b>1,952.1</b>



## PARENT COMPANY FINANCIAL STATEMENTS

### CASH FLOW STATEMENT

DKKm	2014/15	2013/14
Operating profit/loss	-4.7	-5.4
Adjustments for non-cash items:		
Share-based payment	0.0	0.2
Exchange-rate adjustments	-0.3	-0.3
Increase/decrease in receivables	-19.1	-241.5
Increase/decrease in payables and other debt	-1.1	-1.5
<b>Cash flows from operations</b>	<b>-25.2</b>	<b>-248.5</b>
Interest paid, etc.	-3.5	-5.6
Interest received, etc.	75.9	69.3
Corporate income tax paid	-12.8	-12.4
<b>Cash flows from operating activities</b>	<b>34.4</b>	<b>-197.2</b>
Dividend received	0.0	50.0
<b>Cashflow from investment activities</b>	<b>0.0</b>	<b>50.0</b>
Capital increase	0.0	230.5
Costs on share issue	0.0	-11.6
Repayment, credit institutions	-34.4	-71.7
<b>Cash flows from financing activities</b>	<b>-34.4</b>	<b>147.2</b>
<b>Cash flows for the year</b>	<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents, beginning of year	0.1	0.1
<b>Cash and cash equivalents at year-end</b>	<b>0.1</b>	<b>0.1</b>

The figures in the cash flow statement cannot be inferred from the parent company financial statements alone.



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**NOTE 1. ACCOUNTING POLICIES**

The financial statements of the Parent Company for 2014/15 are presented in compliance with the International Financial Reporting Standards, as adopted by the EU, and in accordance with Danish disclosure requirements for annual reports prepared by listed companies; see the Executive Order on IFRS issued in pursuance of the Danish Financial Statements Act.

The parent financial statements are presented in DKK million, which is the Company's functional currency.

The parent financial statements are presented on the basis of historical cost.

Generally, the Parent Company applies the same accounting policies regarding recognition and measurement as the Group. The cases where the Parent Company's accounting policies deviate from those of the Group are described below. For a detailed overall description of accounting policies, reference is made to note 2 to the consolidated financial statements.

**IMPLEMENTATION OF NEW AND AMENDED FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS ISSUED BY IFRIC**

The parent financial statements for 2014/15 have been presented in accordance with the financial reporting standards (IFRS/IAS) and IFRIC interpretations applicable for financial years beginning at 1 February 2014.

The implementation of new or amended financial reporting standards and interpretations that entered into force in the 2014/15 financial year has not resulted in any changes to the accounting policies that affect recognition and measurement.

The accounting policies have been consistently applied with those of the previous financial year.

**FINANCIAL REPORTING STANDARDS AND IFRIC INTERPRETATIONS NOT YET IN FORCE**

At the date of publication of this Annual Report, a number of new or amended financial reporting standards and IFRIC interpretations had not yet entered into force or been adopted by the EU. Thus, they have not been incorporated into the Annual Report. None of these standards and interpretations are expected to materially affect the parent financial statements for the next financial years, with the exception of the additional disclosure requirements following from the relevant standards and interpretations.

**CASES WHERE THE PARENT COMPANY'S ACCOUNTING POLICIES DEVIATE FROM THOSE OF THE GROUP****Translation of foreign-currency items**

Foreign-exchange adjustments of receivables from or payables to subsidiaries that are considered part of the Parent Company's total investment in the relevant subsidiary are recognized in the income statement under financial items. Such foreign-exchange adjustments are recognized in other comprehensive income in the consolidated financial statements.

**Share-based incentive schemes**

No intercompany settlement takes place between the Parent Company and subsidiaries in respect of the Parent Company's share-based payments to employees in subsidiaries. In the parent financial statements, the value of incentive schemes allocated to subsidiaries' employees is recognized under "Investments in subsidiaries", with a corresponding amount recorded directly in equity.

**Dividends on investments in subsidiaries**

Dividends on investments in subsidiaries are recognized in the Parent Company's income statement under financial income in the financial year in which the right to dividend vests. Usually, this will be the date on which the General Meeting of shareholders adopts the distribution of dividend from the relevant company.

**Investments in subsidiaries**

The Parent Company's investments in subsidiaries are measured at cost. The carrying amounts of investments in subsidiaries are reviewed at the reporting date to identify any indications of impairment. If such indications are identified, the recoverable amount of the asset is calculated to assess the need for any impairment and the extent of such impairment. If the cost exceeds the recoverable amount, it is written down to the recoverable amount. If the dividend distributed exceeds the comprehensive income recorded by the enterprise for the relevant year, this is considered an indication of impairment.

Impairment losses are recognized in the income statement.

Upon the sale of equity investments in subsidiaries, gains or losses are determined as the difference between (i) the carrying amount of the sold equity investments and (ii) the fair value of the sales proceeds and the fair value of any remaining equity investments.

## NOTES, PARENT COMPANY FINANCIAL STATEMENTS

**NOTE 2. ACCOUNTING ESTIMATES AND ASSESSMENTS**

Many account items cannot be measured with certainty, but only estimated. Such estimates consist of assessments based on the most recent information available at the time of presenting the financial statements. It may be necessary to change previous estimates based on changes in the assumptions underlying the estimate or based on supplementary information, additional experience or subsequent events.

In connection with the practical application of the accounting policies described, Management has made a number of significant accounting estimates and assessments that have materially affected this Annual Report:

**Investments in and receivables from group enterprises**

To assess the need for impairment of investments in and receivables from group enterprises in the Parent Company Fi-

ancial Statements, the values in use of the cash-flow-generating units to which the investment and receivable relate must be calculated. Calculating the value in use assumes that an estimate of future expected cash flows in the individual cash-flow-generating unit has been made and that a reasonable discount rate has been determined. If the actual course of an investment deviates from the expected development, this may necessitate adjustments to the impairment recognized. In the 2014/15 financial year, a DKK 100.0 million writedown for impairment of investments was made. The impairment totalled DKK 1,150.2 million at 31 January 2015. The carrying amount of investments in group enterprises totalled DKK 643.2 million at 31 January 2015. The carrying amount of receivables from group enterprises totalled DKK 1,365.6 million at 31 January 2015.

**NOTE 3. OTHER EXTERNAL EXPENSES**

	2014/15	2013/14
Administrative expenses	2.8	3.0
Cars, operating expenses	0.3	0.3
<b>Other external expenses, total</b>	<b>3.1</b>	<b>3.3</b>

**NOTE 4. STAFF COSTS**

	2014/15	2013/14
Fees for Board of Directors	1.4	1.5
Salaries, etc. for the Parent Company's Executive Board; see below	5.2	6.0
Other salaries and staff costs, etc.	0.7	0.1
Reinvoiced via service agreements	-5.7	-5.5
<b>Total staff costs</b>	<b>1.6</b>	<b>2.1</b>
Average number of employees	2	2
Number of employees at year-end	2	2

For salaries, etc. for the Parent Company's Executive Board and fees for the Board of Directors reference is made to note 8 in the consolidated financial statements.

**Defined contribution plans**

The Company has entered into defined contribution plans with the employees in the Company. According to these plans, the Company pays a monthly amount of 2 % of the relevant employees' basic salaries to independent pension companies.

An amount of DKK 0.2 million was expensed for defined contribution plans in the 2014/15 financial year (2013/14: DKK 0.2 million).

No employees in the Company are comprised by defined benefit plans.



## NOTES, PARENT COMPANY FINANCIAL STATEMENTS

### NOTE 5. SHARE-BASED PAYMENT

Reference is made to note 9 in the consolidated financial statements.

	2014/15	2013/14
Share-based payment recognized in the profit or loss	0.0	0.2

### NOTE 6. FEES PAYABLE TO THE AUDITORS ELECTED AT THE GENERAL MEETING

	2014/15	2013/14
Total fees, Deloitte	0.3	0.6
Total fees, Nielsen & Christensen	0.0	0.5
<b>Total fees</b>	<b>0.3</b>	<b>1.1</b>

Fees break down as follows:

#### Deloitte:

Statutory audit	0.3	0.2
Other assurance reports	0.0	0.4
<b>Total</b>	<b>0.3</b>	<b>0.6</b>

#### Nielsen & Christensen:

Statutory audit	0.0	0.1
Other assurance reports	0.0	0.4
<b>Total</b>	<b>0.0</b>	<b>0.5</b>

### NOTE 7. INVESTMENTS IN GROUP ENTERPRISES

	31 Jan 2015	31 Jan 2014
Cost at 1 February	1,458.1	1,457.6
Additions for the year	0.1	252.3
Disposals for the year	0.0	-251.8
<b>Cost at 31 January</b>	<b>1,458.2</b>	<b>1,458.1</b>
Impairment at 1 February	-1,050.2	-870.2
Impairment for the year	-100.0	-180.0
<b>Impairment at 31 January</b>	<b>-1,150.2</b>	<b>-1,050.2</b>
Setoffs at 1 February	310.2	280.2
Impairment set off against receivables/provisions	25.0	30.0
<b>Setoffs at 31 January</b>	<b>335.2</b>	<b>310.2</b>
<b>Carrying amount at 31 January</b>	<b>643.2</b>	<b>718.1</b>

Investments in group enterprises are recognized at cost. Investments and receivables were subjected to an impairment test at 31 January 2015. Where the cost exceeds the recoverable amount, it is written down to such lower value.

The impairment for the year relates to investments in a German subsidiary and in TK Bygge-Holding A/S, the parent company of all group companies except the German ones. In recent years several of the companies have recorded substantial losses, and the cost of the investments exceeds the expected recoverable amount and has therefore been written down.

**NOTE 7. INVESTMENTS IN GROUP ENTERPRISES, CONTINUED**

The recoverable amount is based on the value in use, which has been determined using the expected cash flows on the basis of budgets for the next two financial years and budgets/forecasts for another three financial years approved by the Board of Directors, with the terminal value being recognized in year five. The calculation of the recoverable amount includes a discount rate of 15 % before tax (2013/14: 15 %). The budgets for the first three years have been prepared on the basis of Management's expectations for each individual, specific project, including expectations as to project progress, construction period, anticipated financing, contribution margin and date of sale.

The most important assumptions used in calculating the recoverable amount are

- the underlying cash flow budgets for each individual project;
- that dividends and cash may flow from lower-tier subsidiaries and joint ventures as anticipated; and
- that no changes occur relative to expected contribution margins, compliance with time schedules and expected timing of sale, etc.

Any major changes in the assumptions used may result in significant adjustments to the calculated recoverable amount, and therefore the valuation is subject to uncertainty.

Impairment is recognized in the line "Income from investments in group enterprises".

	2014/15	2013/14
<b>Income from investments in group enterprises:</b>		
Impairment for the year; see above	-100.0	-180.0
Dividends	0.0	50.0
<b>Total income from investments</b>	<b>-100.0</b>	<b>-130.0</b>

Overview of investments in group enterprises:

Name	Reg. office	Ownership interest
TK Bygge-Holding A/S	Aalborg	100 %
TK Development Bau GmbH	Berlin	100 %
TK Development GmbH	Berlin	100 %

The ownership interests shown above are the Company's direct holdings.



## NOTES, PARENT COMPANY FINANCIAL STATEMENTS

### NOTE 8. FINANCIAL INCOME

	2014/15	2013/14
Interest income from group enterprises	74.7	67.4
<b>Financial income from loans and receivables</b>	<b>74.7</b>	<b>67.4</b>
Other financial income	1.2	1.9
<b>Total financial income</b>	<b>75.9</b>	<b>69.3</b>

#### Which breaks down as follows:

Interest income from financial assets not measured at fair value through profit and loss	74.7	67.4
Other financial income	1.2	1.9
<b>Total financial income</b>	<b>75.9</b>	<b>69.3</b>

### NOTE 9. FINANCIAL EXPENSES

	2014/15	2013/14
Interest expenses, credit institutions	3.1	5.1
Miscellaneous interest expenses	0.3	0.7
Foreign-exchange losses and capital losses on securities	0.2	0.1
<b>Total financial expenses</b>	<b>3.6</b>	<b>5.9</b>

#### Which break down as follows:

Interest expenses on financial liabilities not measured at fair value through profit and loss	3.4	5.8
Other financial expenses	0.2	0.1
<b>Total financial expenses</b>	<b>3.6</b>	<b>5.9</b>

### NOTE 10. CORPORATE INCOME TAX

	2014/15	2013/14
Current corporate income tax	7.7	12.8
Change in deferred tax	9.2	2.0
<b>Tax on profit/loss for the year</b>	<b>16.9</b>	<b>14.8</b>

#### The tax on the profit/loss for the year results as follows:

Calculated tax based on the Danish tax rate of 24.5 % (2013/14: 25 %)	-8.0	-18.0
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#### Tax effect of:

Non-deductible expenses/non-taxable income	24.5	32.5
Other	0.0	0.1
Change in value adjustment	0.4	-3.8
Change of tax rate	0.0	4.0
<b>Tax on profit/loss for the year</b>	<b>16.9</b>	<b>14.8</b>

**NOTE 11. DEFERRED TAX ASSETS**

	31 Jan 2015	31 Jan 2014
Deferred tax assets at 1 February	53.1	58.9
Disposals for the year	-8.8	-5.8
<b>Deferred tax assets at 31 January</b>	<b>44.3</b>	<b>53.1</b>
Value adjustment at 1 February	-33.8	-37.6
Value adjustment for the year	-0.4	3.8
<b>Value adjustments at 31 January</b>	<b>-34.2</b>	<b>-33.8</b>
<b>Carrying amount at 31 January</b>	<b>10.1</b>	<b>19.3</b>
<b>Deferred tax assets relate to:</b>		
Investments	1.5	1.5
Current assets	-1.7	-1.7
Postponed deduction of interest expenses	25.3	32.5
Temporary differences	25.1	32.3
Value of tax losses	19.2	20.8
Impairment of tax assets	-34.2	-33.8
<b>Total</b>	<b>10.1</b>	<b>19.3</b>

The change in deferred tax assets for the year has been recognized in the income statement.

**Deferred tax assets not recognized in balance sheet:**

Value of tax losses	19.2	20.8
Postponed deduction of interest expenses	15.0	13.0
<b>Total</b>	<b>34.2</b>	<b>33.8</b>

**Deferred tax liability not recognized in balance sheet:**

Contingent retaxation liability attaching to German subsidiaries	97.4	97.4
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The Company controls whether such tax liabilities will be triggered, which is considered unlikely.

**NOTE 12. SECURITIES**

Reference is made to note 23 i the consolidated financial statement.

**NOTE 13. SHARE CAPITAL AND OTHER RESERVES**
**Share capital**

Reference is made to note 24 in the consolidated financial statement.

**Other reserves**

Other reserves amounted to DKK 588.9 million at 31 January 2014 and concern a special fund arising in connection with the capital reduction implemented in June 2013, when the denomination of the Group's shares was changed from DKK 15 to DKK 1. At the General Meeting on 30 April, it was resolved to transfer the special fund to distributable reserves.

**NOTE 14. CREDIT INSTITUTIONS**

	31 Jan 2015	31 Jan 2014
Payables to credit institutions are recognized as follows in the balance sheet:		
Non-current liabilities	0.0	0.0
Current liabilities	47.0	81.5
<b>Total payables to credit institutions</b>	<b>47.0</b>	<b>81.5</b>
Fair value	47.0	81.5
Carrying amount	47.0	81.5

At 31 January, the Parent Company had the following loans and credits:

Loans	Maturity	Fixed/ variable	Effective rate		Carrying amount		Fair value	
			2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Bank DKK	2015	variable	3.5 - 4,75 %	4 - 5 %	12.9	29.5	12.9	29.5
Bank EUR	2015	variable	3.25 - 3.5 %	3.25 - 3.5 %	34.1	52.0	34.1	52.0

The fair value has been determined at the present value of future principal repayments and interest payments by using the effective interest method (Fair value hierarchy: Level 2).

**NOTE 15. PROVISIONS**

	31 Jan 2015	31 Jan 2014
Provisions at 1 February	19.2	19.2
<b>Provisions at 31 January</b>	<b>19.2</b>	<b>19.2</b>
Expected maturity dates of the liabilities provided for:		
1 - 5 year	19.2	19.2
<b>Provisions at 31 January</b>	<b>19.2</b>	<b>19.2</b>

Provisions relate to provisions for negative equity in a subsidiary.

**NOTE 16. OPERATING LEASES**

For the years 2015-2016, operating leases for the rental of operating equipment have been concluded. The leases have been concluded for a five-year period with fixed lease payments. The leases are non-terminable for the period mentioned, after which it is expected that the majority can be renewed for one year.

Future minimum lease payments according to non-terminable lease contracts break down as follows:

	31 Jan 2015	31 Jan 2014
Within 1 year	0.3	0.3
Within 1-5 years	0.2	0.5
After 5 years	0.0	0.0
<b>Total</b>	<b>0.5</b>	<b>0.8</b>
Minimum lease payments for the year recognized in the income statement	0.3	0.3



**NOTE 17. OTHER DEBT**

	31 Jan 2015	31 Jan 2014
Employee-related payables	0.0	1.5
Holiday pay obligations	0.8	0.7
Other debt	1.3	1.2
<b>Other debt, total</b>	<b>2.1</b>	<b>3.4</b>
Broken down as follows under liabilities:		
Current liabilities	2.1	3.4
<b>Other debt, total</b>	<b>2.1</b>	<b>3.4</b>

The carrying amount of employee-related payables consisting of salaries, personal income tax, social security contributions, holiday pay, etc., project-related costs and other costs payable is equal to the fair value of these payables. Holiday pay obligations represent the Company's liability to pay salary during holiday periods to which the employees had earned entitlement by the reporting date and which are to be taken in the following financial year(s).

**NOTE 18. CONTINGENT ASSETS AND LIABILITIES AS WELL AS SECURITIES FURNISHED**
**Contingent assets**

Contingent assets in the form of tax assets not recognized appear from note 11.

**Contingent liabilities and securities furnished**

	31 Jan 2015	31 Jan 2014
Surety and guarantee commitments on behalf of group enterprises	1,455.4	1,414.6
Surety and guarantee commitments on behalf of joint ventures	267.8	9.9
Surety and guarantee commitments on behalf of associates	10.0	10.0
Other surety and guarantee commitments	7.6	7.6
Carrying amount of equity investments furnished as security to credit institutions	643.2	718.1

The below figures in brackets are comparative figures for 2013/14.

The amounts stated for surety and guarantee commitments on behalf of group enterprises are the upper limits. At 31 January 2015, the subsidiaries had drawn an amount of DKK 1,161.4 million (DKK 1,335.8 million) on their credit facilities.

In addition, the Company has guaranteed the liabilities of a few group enterprises in relation to construction contracts, and a few other project related contracts.

The contingent retaxation liabilities attaching to German subsidiaries regarding which no provisions for deferred tax have been made amounts to DKK 97.4 million (DKK 97.4 million). The Company controls whether such tax liabilities will be triggered, which is considered unlikely.

The Company is the management company for the Group's Danish jointly taxed companies, and as from the 2013/14 financial year it has unlimited, joint and several liability together with the other jointly taxed companies for all corporate income taxes arising under the joint taxation scheme and as from 1 July 2012 the Company has unlimited, joint and several liability for the withholding taxes payable by these companies. Corporate income tax payable for the Danish jointly taxed companies amounted to DKK 1.5 million at 31 January 2015 (DKK 0.0 million).



## NOTES, PARENT COMPANY FINANCIAL STATEMENTS

### NOTE 19. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Categories of financial instruments	31 Jan 2015	31 Jan 2015
Receivables from group enterprises	1,365.6	1,371.8
Cash, cash equivalents and blocked and escrow accounts	0.1	0.1
<b>Loans and receivables</b>	<b>1,365.7</b>	<b>1,371.9</b>
Securities	4.1	4.0
<b>Financial assets available for sale</b>	<b>4.1</b>	<b>4.0</b>
Credit institutions	47.0	81.5
Trade payables	0.6	0.5
Other debt	2.1	3.4
<b>Financial liabilities measured at amortized cost</b>	<b>49.7</b>	<b>85.4</b>

For a description of the Company's capital management, risk management policy, foreign-exchange risks, interest-rate risks, liquidity risks and credit risks, reference is made to note 31 in the consolidated financial statements.

#### Foreign-exchange risks relating to recognized assets and liabilities

In the 2014/15 financial year and the comparative year, the Company did not enter into any forward agreements or other derivative financial instruments to hedge foreign-exchange risks in the Company.

2014/15	Cash, cash equivalents and securities	Receivables	Credit institutions	Unsecured net position
EUR at 31 January 2015	0.1	117.3	-34.1	83.3
PLN at 31 January 2015	0.0	3.9	0.0	3.9
CZK at 31 January 2015	0.0	0.5	0.0	0.5
2013/14	Cash, cash equivalents and securities	Receivables	Credit institutions	Unsecured net position
EUR at 31 January 2014	0.0	134.1	-52.0	82.1
PLN at 31 January 2014	0.0	3.5	0.0	3.5
CZK at 31 January 2014	0.0	0.4	0.0	0.4
Sensitivity of profit/loss and equity to foreign-exchange fluctuations			2014/15	2013/14
Effect if the EUR rate were 10 % lower than the actual rate			-6.3	-6.2

The Company's major foreign-exchange exposures relate to EUR. The above calculations show the effect on equity and profit or loss if the rate of exchange for EUR had been 10 % lower than the actual rate. A corresponding increase in the foreign-exchange rate would have a corresponding positive impact on profit or loss and equity.

As all foreign-exchange adjustments relating to the above-mentioned financial instruments are recognized in the income statement, any exchange-rate fluctuations will have the same effect on profit or loss and equity.

**NOTE 19. FINANCIAL RISKS AND FINANCIAL INSTRUMENTS, CONTINUED**
**Interest-rate risks and the dates of revaluation or maturity regarding financial assets and liabilities:**

	Date of revaluation/maturity			Total	Effective rate in %
	0 - 1 year	1 - 5 years	> 5 years		
<b>2014/15</b>					
Securities	4.1	0.0	0.0	4.1	0 %
Receivables from group enterprises	0.0	1,365.6	0.0	1,365.6	0 - 8 %
Deposits with credit institutions	0.1	0.0	0.0	0.1	0 %
Payables to credit institutions	-47.0	0.0	0.0	-47.0	3.25 - 4.75 %
Interest payments on loans	-0.4	0.0	0.0	-0.4	
Trade payables	-0.6	0.0	0.0	-0.6	0 %
Other debt	-2.1	0.0	0.0	-2.1	0 %
<b>Total at 31 January 2015</b>	<b>-45.9</b>	<b>1,365.6</b>	<b>0.0</b>	<b>1,319.7</b>	
<b>2013/14</b>					
Securities	4.0	0.0	0.0	4.0	0 %
Receivables from group enterprises	0.0	1,371.8	0.0	1,371.8	0 - 8 %
Deposits with credit institutions	0.1	0.0	0.0	0.1	0 %
Payables to credit institutions	0.0	-81.5	0.0	-81.5	3.25 - 5 %
Interest payments on loans	-3.3	-0.8	0.0	-4.1	
Trade payables	-0.5	0.0	0.0	-0.5	0 %
Other debt	-3.4	0.0	0.0	-3.4	0 - 5 %
<b>Total at 31 January 2014</b>	<b>-3.1</b>	<b>1,289.5</b>	<b>0.0</b>	<b>1,286.4</b>	

With regard to interest-rate sensitivity, an increase in the interest level of 1 % p.a. compared to the interest level at the reporting date in respect of the Company's variable-interest deposits with and payables to credit institutions would have a negative impact on the profit or loss for the year, and thus on equity, of DKK 0.4 million for a full year. A fall in the interest level of 1 % p.a. would result in a corresponding positive impact on the profit or loss for the year and on equity. For the 2013/14 financial year, the interest-rate sensitivity in case of a change in the interest level of 1 % p.a. would have an impact of about DKK 0.6 million for a full year.

**Liquidity risks**

The maturity dates of financial liabilities are specified for the individual categories of liabilities in the notes, with the exception of trade payables and other debt largely falling due for payment within one year. The Company's liquidity reserve consists of cash and cash equivalents as well as unutilized credit facilities. Reference is also made to note 31 in the consolidated financial statements.

**Breach of loan agreements**

During the financial year and the previous year, the Company was not in breach of any loan agreements.

**NOTE 20. TRANSACTIONS WITH RELATED PARTIES**

The Company has no related parties with a controlling interest. The Company has the following related parties:

- Board of Directors and Executive Board (and their related parties)
- Associates, joint ventures and group enterprises; see the overview of group companies, note 35 in the consolidated financial statements.

	2015/15	2013/14
<b>Board of Directors and Executive Board (and their related parties)</b>		
Holding of shares, in terms of number (balance)	30,958,931	26,519,562
Obligation towards Executive Board, employee bonds (balance)	0.0	0.5
Remuneration, Board of Directors	1.4	1.5
Remuneration, Executive Board	5.2	6.0
<b>Joint ventures and group enterprises</b>		
Management fee to group enterprises	1.0	1.0
Interest income from group enterprises	74.7	67.4
Receivables from group enterprises (balance)	1,365.6	1,371.8
Impairment for the year of investments in group enterprises	-100.0	-180.0
Total impairment of investments in group enterprises (balance)	1,150.2	1,050.2
Costs allocated to group enterprises according to service agreements concluded	5.7	5.5
Guarantee commission to group enterprises	1.2	1.9
Dividends from subsidiaries	0.0	50.0
Capital increase in group enterprises	0.0	176.3

Surety and other security furnished for subsidiaries appear from note 18. Suretyships and guarantees have been issued on behalf of joint ventures and associates; see note 30 in the consolidated financial statements.

Apart from this, no securities or guarantees had been furnished for balances owing to or by related parties at the reporting date. Receivables and payables are expected to be settled by payment in cash. No losses were realized on receivables from related parties. The impairment made to provide for any probable losses on investments in group enterprises amounted to DKK 100.0 million in 2014/15 (2013/14: DKK 180.0 million).

Apart from the above, there were no transactions with related parties in the year under review.

**NOTE 21. POST-BALANCE SHEET EVENTS**

Reference is made to note 33 in the consolidated financial statements.

**NOTE 22. APPROVAL OF ANNUAL REPORT FOR PUBLICATION**

Reference is made to note 34 in the consolidated financial statements.

## COMPANY INFORMATION

## TK Development A/S

**CVR no.:**  
24256782

**ISIN code:**  
DK0010258995 (TKDV)

**Municipality of registered office:**  
Aalborg, Denmark

**Website:**  
www.tk-development.com

**e-mail:**  
tk@tk.dk

**Executive Board:**  
Frede Clausen and Robert Andersen

**Board of Directors:**  
Niels Roth, Peter Thorsen, Per Søndergaard Pedersen, Arne Gerlyng-Hansen, Kim Mikkelsen and Morten E. Astrup.

The Annual General Meeting will be held at 3 p.m. on 28 April 2015 at Aalborg Kongres & Kultur Center, Radiosalen, Europa Plads 4, DK-9000 Aalborg.

