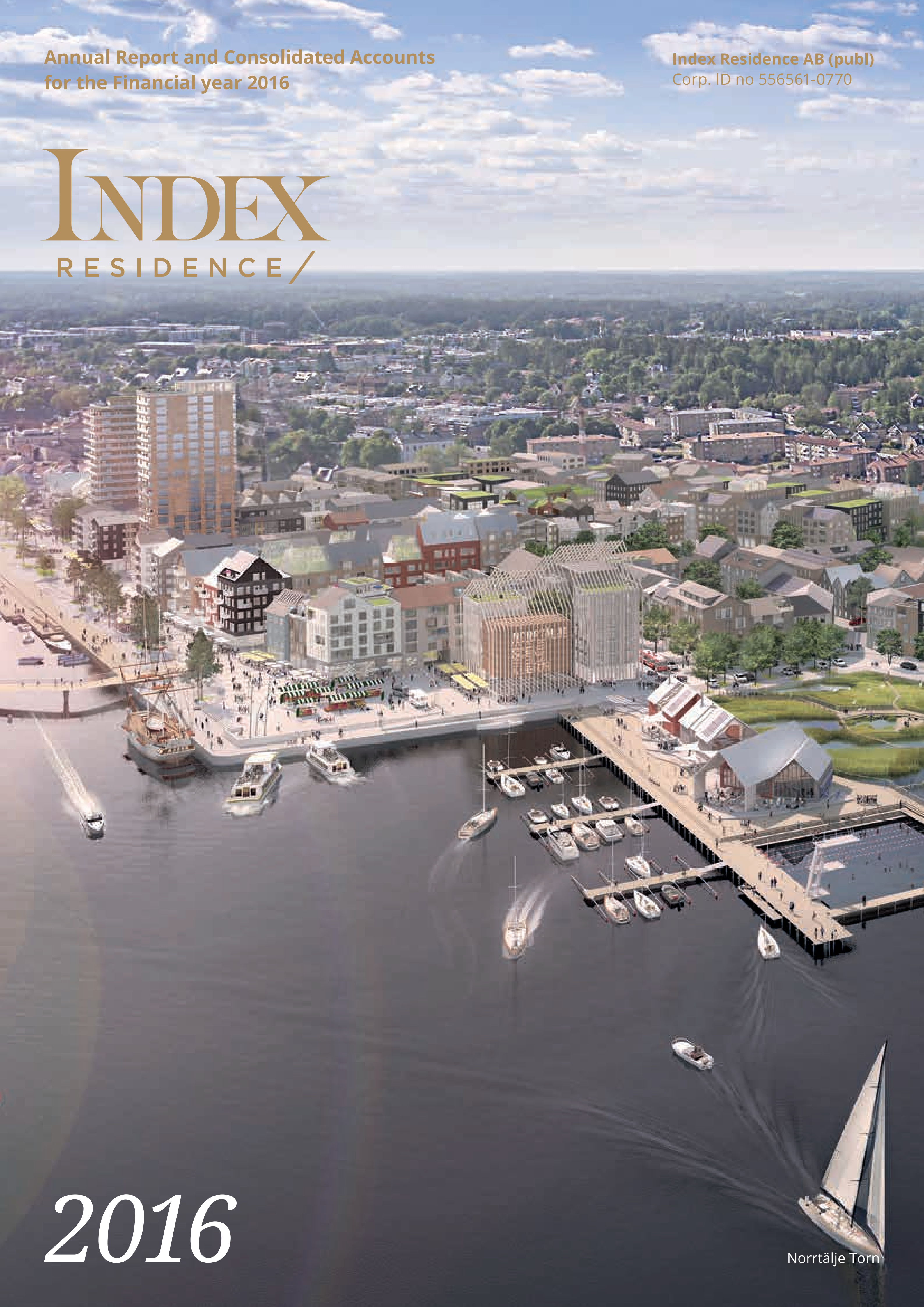
Annual Report and Consolidated Accounts
for the Financial year 2016

Index Residence AB (publ)
Corp. ID no 556561-0770

INDEX RESIDENCE



2016

Norrtälje Torn

The annual report comprises	Page

1.
INDEX
RESIDENCE

Highlights

The Group

Equity/assets ratio (%)

2016	65
2015	47
2014	41
2013	51
2012	62
2011	58
2010	58
2009	52

Total assets

2016	2,098,346
2015	2,353,760
2014	2,627,624
2013	1,909,880
2012	1,591,200
2011	1,524,841
2010	1,635,142
2009	991,640

Equity

2016	1,361,297
2015	1,113,953
2014	1,084,495
2013	978,855
2012	982,495
2011	881,737
2010	950,708
2009	517,931

Parent Company

Equity/assets ratio (%)

2016	33
2015	33
2014	30
2013	35
2012	53
2011	72
2010	72
2009	66

Total assets

2016	1,823,261
2015	1,717,587
2014	1,606,420
2013	1,224,302
2012	832,469
2011	681,119
2010	754,059
2009	820,569

Equity

2016	604,596
2015	538,618
2014	488,137
2013	428,105
2012	437,988
2011	491,124
2010	543,104
2009	544,271

CEO's comments

New ways of living

According to Mahatma Gandhi, a man is but the product of his thoughts; what he thinks, he becomes. I believe that this aphorism also fits well when companies are concerned. At Index Residence, we indeed think that people should live in our properties, but we think just as much about what it is like to live in them. And we think about how we can lead development instead of following it.

Energy efficiency and a good environment are long since hygiene factors in our properties. 2016 instead involved a great deal of thinking to analyze and understand the residential living of the future. The result of this work is a new service concept, "Touch", which we are launching this year. Basically, it's about giving a residential property additional values, such as digital possibilities of ordering food or products online, offering cleaning help or dry cleaning, car pools and boat pools, or offering workrooms in the properties. There are ample opportunities to add valuable services. They are limited only by the imagination. We intend to lead development.

2016 was the year we became the largest private developer in Norrtälje. Part 1, comprising 186 apartments in the Juvelen 1 property, is complete and residence already began moving in during March. But we are also leading the development of Norrtälje's harbor area. Our goal is to both build attractive apartments and create a place where people thrive. A prerequisite is proper preparation in the planning phase to then work forward methodically until the homes are done. Since the selection of sites is so important, we like working in locations we know well. Our projects are always developed in close cooperation with the local authorities and the architects. We present every project as a clear concept with a unique brand to appeal to future buyers. And everyone involved – residents, the local authorities, shareholders and bond holders – should be satisfied when the project is complete. The harbor area in Norrtälje serves as a pattern example of how this work is done.

Out of our portfolio in Florida, we previously sold two completed rental properties. At the time this report is being written, another three rental properties are accepting offers. Our properties are very attractive among investors in the local market. We intend to sell more properties to quickly repay our investment in Florida.

2016 also saw the start of a joint venture with Nokon Bostad, which offers us a geographic presence we did not previously have. The newly established company initially received a residential portfolio of around 230 apartments in Gnesta, Nyköping and Trosa.

The year before that, Index Residence acquired 20 percent of Odalen Fastigheter, which exceeded expectations in 2016. Odalen builds and develops attractive, modern residential properties for the elderly with extra needs for care, far from institution-like corridors and impersonal environments. This is a growth market with major potential. My colleagues and I will think just as hard in 2017.

Stockholm, April 2017
Rickard Haraldsson
CEO

Our Portfolio

Total units under planning/zoning:

2016:	545
2015:	807
2014:	1,263
2013:	275
2012:	275

Total units in production:

2016:	453
2015:	313
2014:	131
2013:	265
2012:	464

Total units leased/sold:

2016:	0
2015:	131
2014:	134
2013:	199
2012:	151

Sum total of units in portfolio:

2016:	998
2015:	1,300
2014:	1,668
2013:	720
2012:	919

Milestones from Index Residence's history

2016

Norra Juvelen, Norrtälje
125 residential units

Norrtälje Torn, Magasinet
46 tenant-owner apartments

Södra Juvelen, Norrtälje
186 tenant-owner apartments

Norrtälje Torn, Soltornet
87 tenant-owner apartments

2015

Playce
Exciting new Sport Hotel concept in Kista

Kista
150 rental apartments

Norrtälje
300 rental apartments

Hornsberg, Stockholm (4)
Remaining office premises are divested

2014

Norrtälje
Large land acquisition in the Norrtälje Harbor to build 500 tenant-owner apartments

Watercrest, USA
Begin collaboration to develop senior living

2013

Dakota, Florida
Construction of first project completed

2010

Hornsberg, Stockholm (3)
Sale of 450 tenant-owner apartments

Dakota, Florida
First property acquisition in the U.S.

2009

Hornsberg, Stockholm (2)
Part of the property is divested and sold to Octapharma

2005

Hornsberg, Stockholm (1)
Large property acquisition

2001

Enköping
Acquisition of 900 rental apartments

1999

Alviks Strand and Mälarhöjdsparken
First large property acquisition

1998

Index Residence is founded
by Fredrik Alama & Bjarne Borg

About us

Our passion is creating modern homes in harmonious surroundings with built-in quality of life. We want more people to have the opportunity to live in buildings of high architectural value that help make daily life both simpler and more enjoyable. Homes that meet people's needs, but also fulfill their dreams.

To be able to do this, we have to understand how people actually live. Index Residence seeks to constantly develop and change at the same pace that people's lives develop and change.

Company Management

Rickard Haraldsson, CEO

Chief Executive Officer of Index Residence since 2009.

Former Head of Corporate Finance at Avanza Bank and Grant Thornton Corporate Finance Lead Advisory in Stockholm and London. MBA from University of Southampton Management School, B.A. in Finance from University Westminster Business School.

Marie-Louise Alama, CFO

Chief Financial Officer since 2008.

M.S. in Business and Economics. Former financial manager and accounting manager in the pharmaceuticals industry and several years at the Swedish Tax Agency.

Board of Directors

Bjarne Borg, co-founder and Chairman of the Board

Founded Index Residence AB together with Fredrik Alama in 1998.

Already started his first corporate project at the age of 14 and made his first property investment at the age of 20. Held positions as a consultant, manager and Board member in the areas of sales, accounting, taxation, property/construction. Expert in the North American real estate market.

Arne Weinz, Board member

Arne is an experienced entrepreneur with a broad range of experience from many industries, particularly the call center industry.

After two decades' experience of CEO work, he has developed this own leadership philosophy, which he describes in his book "Den snabbaste vägen" [The fastest way].
Arne was born in 1957 and has an M.S. in Industrial Economics from the Institute of Technology at Linköping University (LiTH).

Rickard Haraldsson, CEO

Chief Executive Officer of Index Residence since 2009.

Former Head of Corporate Finance at Avanza Bank and Grant Thornton Corporate Finance Lead Advisory in Stockholm and London. MBA from University of Southampton Management School, B.A. in Finance from University Westminster Business School.

Our values

Ambitious

We are ambitious in everything we do. If we are more focused, have more knowledge and take the challenges seriously, the rewards are greater – both for us and for the residents.

Able to act

Creative thinking is only of real value if it is also combined with an ability to act that transforms ideas into finished residential properties that people call "home".

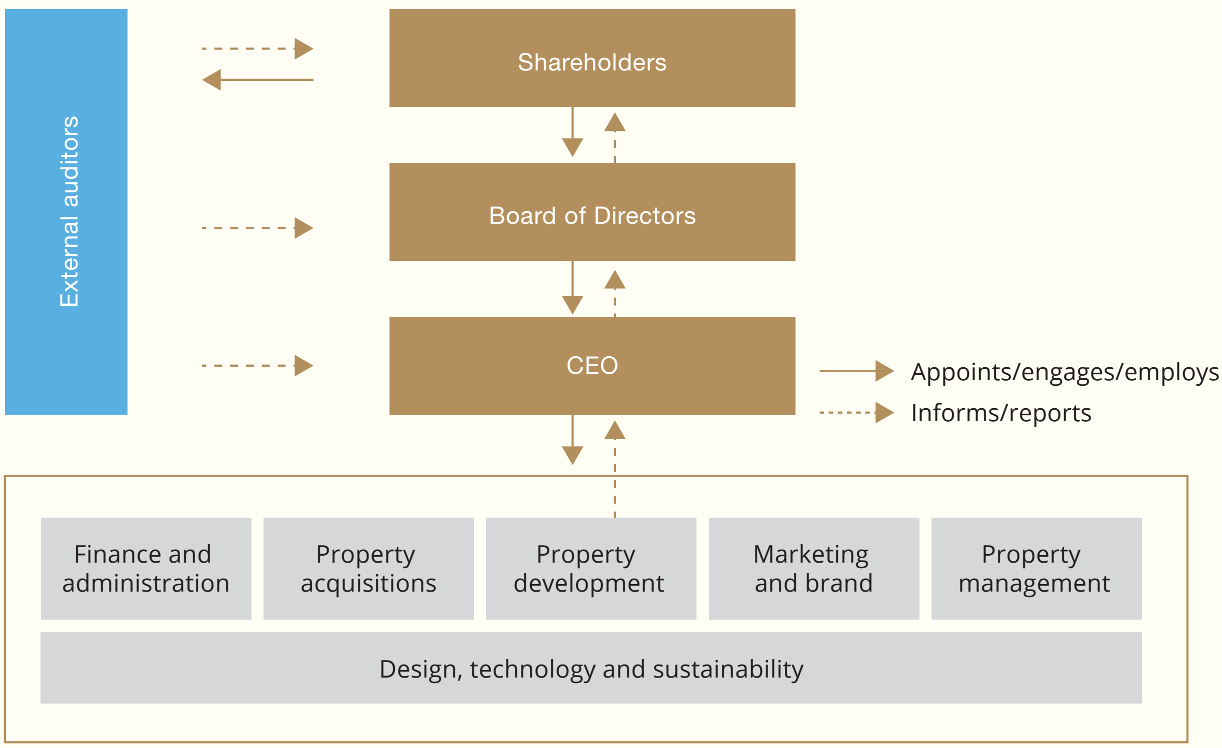
Imaginative

All of the projects begin as an idea in somebody's head. This is why free, creative thinking – the ability to see beyond conventions and the expected – is a fundamental quality for development and growth. We believe in creative visualization – meaning that if somebody can dream it, we can realize it.

Innovative

All ideas are worth being challenged. We never rule out doing something differently, that there may be a different way of thinking, acting and building. Innovation and progress are not the result of a giant leap, but of a million steps that ultimately lead to shifts and change.

Corporate Governance



Our Business

We believe in a passionate process that consists of what we call strategic acquisitions, creative property development and strong brands. Combined with solid construction technology and stable financing, this leads to sustainable – and very attractive – residential environments.

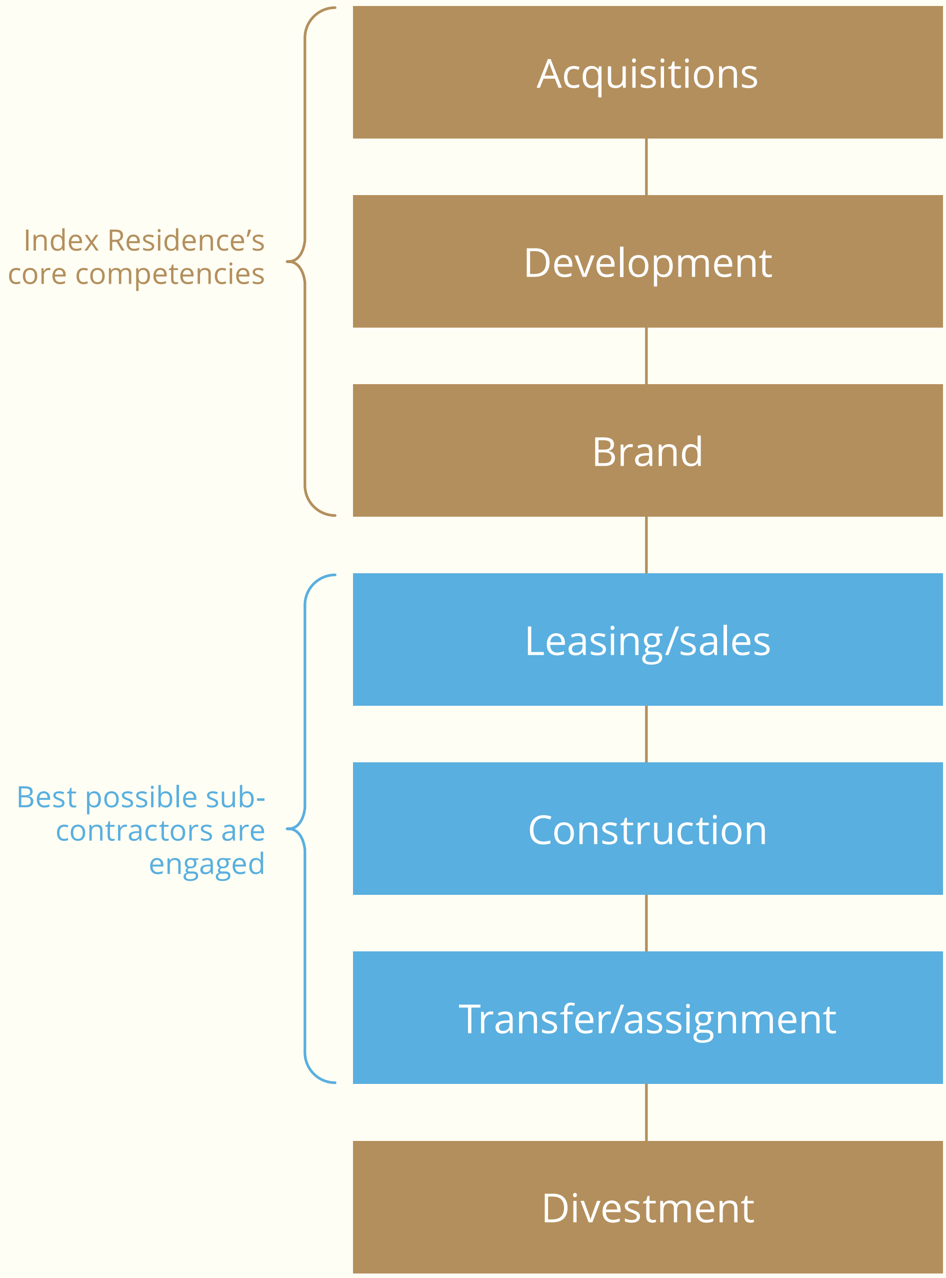
Successful Business Model

Clear and Focused Business Model

The foundation of our success is ambitious and methodical process work from idea to finished home. The first step is to choose the right property. The strong local base ensures a good selection. In the next step, the project is developed together with the local authorities and architects, and contractors are procured for the construction. In parallel, in the third stage, a well-prepared and target-group-oriented concept with a clear brand are developed.

This process governs the work and ensures a good end result for everyone – residents, the municipality and shareholders.

Organizationally, Index Residence has deliberately chosen not to do its own construction contracting and sales. We have purposefully and consistently built up a small "streamlined" organization staffed with experts in the key strategic areas – acquisitions, development and brand.

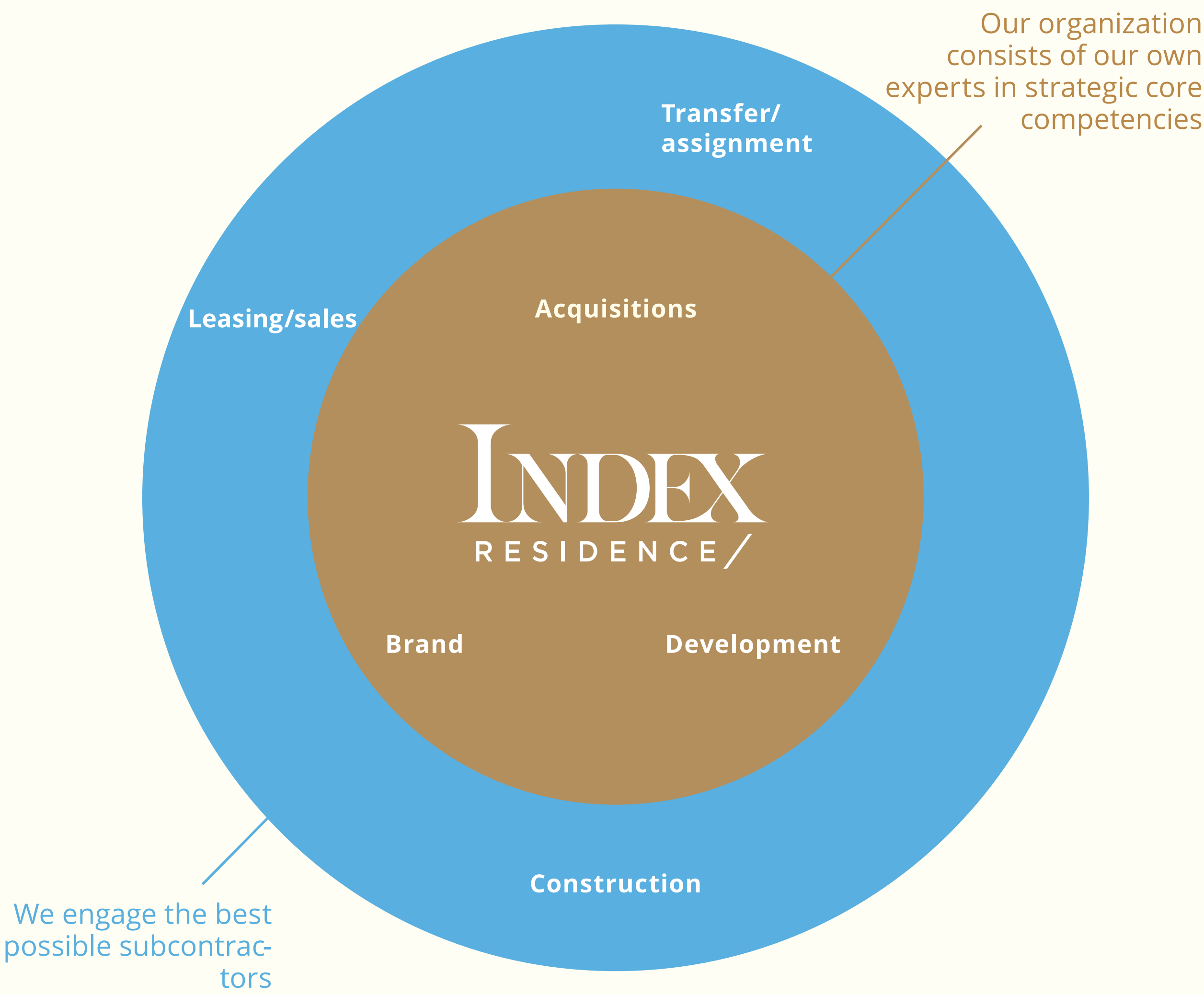


Dynamic Expert Organization

In-house Specialists and Selected Partners

Index Residence has a tight-knit and dynamic specialist organization that collaborates with the market's best partners to develop and complete attractive homes. This model provides conditions to develop specialist expertise that really makes a difference and flexibility to quickly shift project volume up and down. This makes Index Residence agile while retaining a high level of quality.

Index Residence does not, however, have its own construction contracting or sales organization, but has rather built up strong expertise in procurement where we have forged ties with the best contractors and subcontractors to ensure the best possible project implementation and end results.



Our Philosophy

As an employer, Index Residence strives to offer one of Sweden's most attractive workplaces. Our goal is a sound and strong culture where the individual is in focus and is inspired to influence his or her own work, as well as the company in general.

As a collaborative partner, we strive to be the obvious choice. Our goal is to always treat our partners as we would like to be treated ourselves – with respect, honesty and reliability.

Sustainable residential environments

For Index Residence, the environment and sustainability are an integrated part of the work of developing residential properties. Social, environmental and financial aspects interact to create long-term sustainable residential environments. Care and precision throughout the process from idea to finished home provide high-quality residential environments.

With consideration of every project's unique circumstances, Index Residence strives to utilize the location as well as possible. To ensure a good living environment in a broader perspective, Index Residence works to create the most attractive local area as possible, with courtyards, parks and amenities. If the location is near the waterfront, Index Residence strives for as many people as possible to be able to experience the water. Understanding of the location and the resident's needs is a prerequisite to be able to develop long-term sustainable residential properties. Dialog with local authorities, collaborative partners and residents is important for gaining knowledge and identifying possibilities for the particular site. Index Residence also assigns great importance to aesthetic qualities to thereby create an attractive residential environment that works well in daily life.

Environmental aspects are taken into account in several ways. The requirements set by the government, local authorities and agencies lay the foundation, but Index Residence aims even higher. In collaboration with architects, construction contractors and other partners, Index Residence makes active choices for the residential projects to be energy efficient, resource efficient and healthy. This takes place in part by taking consideration of environmental aspects in the project engineering of the property as a whole, the design of the individual apartments and the selection of materials and white goods. Index Residence works continuously to reduce its environmental footprint. The goal is to create homes that minimize the buildings' environmental impact throughout their entire lifetime.

Index Residence's ambition to develop modern, sustainable residential environments means that sustainability aspects are given an ever higher priority. Index Residence therefore intends to deepen the dialog with its various stakeholder groups with the goal of developing and improving the sustainability work.

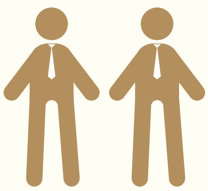
Our Stakeholders

Customers

Index Residence's customers are mainly tenant owner associations and private individuals. For a few years after a project is completed, Index usually has a representative on the board of the tenant owner association to ensure a good hand-over.

Suppliers

As a specialist organization, Index Residence collaborates with a number of suppliers, ranging from architects and building firms to various kinds of other specialized consultants. To qualify, every partner has to meet special criteria. Index Residence strives to ensure that all parties have a good view of the project as a whole and that all collaborative arrangements are characterized by open dialog and sound business ethics.



Employees

Index Residence has a small, strongly committed specialist organization. An open dialog, healthy employees and a good working environment are prerequisites for Index Residence's success.

Community

The community's trust is necessary in order for Index Residence to be able to achieve its vision for individual projects and the company in general. Consequently, Index Residence strives to be perceived as transparent and sincere in its communication.

Owners

A long-term sustainable business model is important to Index Residence's owners.

I

2.
STOCKHOLM MÄLARDALEN PROJECTS

Our Vision

What do our residential dreams look like? Larger kitchens, more spacious terraces with a view, bathrooms with a spa feeling or an own yard? Maybe being closer to work or closer to nature and with the ocean right outside the window? All of these are examples of home dreams that we know that many people have and that we always have in mind when we develop new residential properties.

But we do not stop there. As peoples' free time, jobs and activities are increasingly flowing together, it is important for life to become easier. In our residential properties, we adapt to the needs so that there is, for example, room for a gym, an office room for distance work or a place for a boat you can see from the balcony. It must be easy to book an eco-friendly rental car or celebrate special occasions in the association's kitchen and bar. Participate in a video conference in the building's work lounge where the building's own concierge is based.

At Index Residence, we develop residential properties that meet people's needs, but also fulfill their dreams and help make daily life both easier and more enjoyable.

Norrtälje Torn

"For those of us who work at Index Residence, Norrtälje Torn is something extra"

Vision illustration: Norrtälje Municipality and Sydväst arkitektur och landskap

Norrtälje Torn

Look at the picture carefully. What's the best location? Right, the area around the towers. That's also right where Index Residence is now building Norrtälje Torn.

However, it's not just one tower, but an entire district consisting of five properties, including two towers. All of them a little different. But all are on the waterfront.

"Fredrik Alama, one of Index Residence's founders, and I both come from Norrtälje. When we were small, we used to bicycle on the dock in the harbor. Already then, we said to each other "Someone should build a house here". Being able to be involved in making this happen is overwhelming in many ways," says Magnus Ekman, Project Manager.

Interest in Norrtälje Torn has been huge. When the first of the five properties hit the market, the 87 apartments in "Soltornet" went immediately. At the beginning of May 2017, it is time for property number two "Magasinet" with 46 apartments and the waiting list to get a unit there has been long for sometime.

Then, the rest of the properties will be coming out consecutively: "Våghuset", "Havstornet" and lastly "Båthuset".

"The location, absolutely. We're talking about the best location in Norrtälje. But we're also building with extra everything. The standard of these apartments is premium," says Magnus Ekman and continues:

"Our goal is for the buyers to find exactly the home they dream of, without having to pay extra for expensive options. The idea is to give a bit of a hotel feeling even when you're at home.

But not just that. The vision is to not just build apartments to live in, but rather a way of life.

"We've developed a concept for it. It's called Touch. I think Norrtälje Torn will be the first in the country with such comprehensive amenities. You access the services around the clock from an app. It has everything you need in order to live a simpler life," says Magnus Ekman.

This means that you can log in and be presented with a wide array of smart services. Book an eco-friendly rental car, cleaning of your apartment or laundry. Borrow a boat for a few days. Or book a meeting room and video conferencing in the building's work lounge. If you need something else, Norrtälje Torn's own concierge is always there to help you.

"Many residents will surely commute to jobs in Stockholm, and for them, this service will really make life easier," says Magnus Ekman.

The service will go live in spring 2019, when occupancy begins in Soltornet.

"I don't want to say use the term prestige project, but for those of us who work at Index Residence, Norrtälje Torn is something extra. It's surely due to our background. The origins of Index Residence began in Norrtälje. Many of us live here, so yeah, it's our baby, but that's what it's like with projects. Your latest project is always the best," says Magnus Ekman.

Norrtälje Torn is a part of the Norrtälje harbor, a completely new district that is finally giving the urban development in the archipelago municipality contact with the water. In total, 2,000 apartments are being built there. Norrtälje Torn accounts for nearly 500 of them.

"Index Residence wants to be a community builder. Today, we are the absolutely largest builder in Norrtälje. So we are actually want we want to be," says Magnus Ekman.

Our Projects

Here are a selection of Index Residence's projects in Sweden

Playce, Kista. Under development.

Kista Äng. Under development.

Norrtälje Torn, Soltornet. Sales are under way.

Norrtälje Juvelen. Sales are under way, occupancy in 2017.

INDEX RESIDENCE JOINT VENTURES

Odalen Fastigheter

In 2014/2015, Index Residence acquired 20 percent of Odalen Fastigheter, which saw stable growth in 2016. Behind Index Residence's investment decision is that Odalen's business idea is close to our own. Odalen Fastigheter develops homes for the elderly – and just like Index Residence, the company works with local authorities and principals to customize comprehensive concepts that are adapted to the specific activities and take into consideration the location and conditions of the surroundings.

The most important aspect for Odalen Fastigheter is that all projects are permeated by quality and residents can be offered and guaranteed the best management.

Odalen Fastigheter is currently completing a project with 54 elderly apartments in Åkersberga Municipality, which will be inaugurated in August 2017, and is working on the project engineering of an elderly residence with 72 elderly apartments in Kungsängen, Upplands-Bro Municipality. A number of other exciting projects await. In a market with growing numbers of older Swedes who increasingly focus on freedom of choice, Index sees a very good potential for growth in Odalen Fastigheter.

Nokon Bostad

In May, Index Residence began a joint venture, Nokon Bostad, together with the Nokon Group. The reason is that we see extensive potential in Nokon's project portfolio, as well as in the company's internally developed frame system.

Own production provides us the possibilities of controlling the entire value chain, with lower costs and shorter production times as a result. At the same time, Nokon Bostad is establishing a bridgehead to a new geographic market for Index Residence.

Nokon Bostad will initially get a portfolio of around 230 apartments in Gnesta, Nyköping and Trosa. Index Residence owns 33 percent and Nokon owns 66 percent of Nokon Bostad.

I

The annual report comprises | Page

3. FINANCIAL STATEMENTS

Director's report
Information about operations

Index Residence AB (publ), corp. ID no. 556561-0770 is the parent company in the group. Index Residence AB (publ) is based in Stockholm municipality in Stockholm county, with visiting address Kungsträdgårdsgatan 18, 103 95 Stockholm.

The Board and CEO of Index Residence AB (publ) may hereby publish accounts for the group and the parent company for 2016.

OWNERSHIP

Index Residence AB (publ) is a company half of which is owned by Capstone Management AB (corp. ID no. 556666-3000), and half by Samisa Management AB (corp. ID no. 556666-2051).

OPERATIONS

Stockholm Mälardalen Projects. The group develops and builds homes, primarily in the Stockholm and Mälardalen region. Common to all our projects is the creation of modern homes in harmonious surroundings with built-in quality of life. Through its sister group, Index Enterprise LLC, the group also invests in and finances real estate projects in the state of Florida, United States. The group's real estate investments are thus primarily in its own subsidiaries, but also in associated companies and related companies.

In addition to real estate, the group - through a sister group - has investments in a power plant driven by biomass, a Renewable Energy Facility, located in Ajax outside Toronto, province of Ontario, Canada. Index Residence AB (publ) has major receivables against the power company.

Companies within the group sell management services and administration and financial services to their subsidiaries and to the sister group Index Equity Sweden AB.

SIGNIFICANT EVENTS IN 2016

In 2016, the Group has continued to develop core operations in Stockholm (Mälardalen) and in Florida, through the sister group Index Enterprise LLC. At the end of 2016, our distribution of the number of apartments under development is about 45 % in Stockholm (Mälardalen) and 55 % in Florida.

PROFIT/LOSS AND POSITION 2016

The group's profit/loss before tax was SEK 299 million (SEK –17 million) and the balance sheet total was SEK 2,098 million (SEK 2,354 million). The exchange rate movement in USD and CAD has resulted in a positive exchange rate effect of SEK 103.2 million (SEK 8.8 million). The exchange rate effect derives from foreign currency lending to finance the sister group's operations in Florida and in Canada. Reduced personnel costs are due to the company having divested parts of its organization in Canada. This divestment has also resulted in re-classification of loan receivables from "intra-group" to "other receivables".

DEVELOPMENT OF OPERATIONS

SEK thousand	2016	2015	2014	2013	2012
Turnover	56,381	58,999	72,973	64,685	91,878
Operating profit/loss	162,666	16,208	7,327	–19,360	–200,328
Financial items, net	135,903	–33,628	104,446	12,979	194,474
Total profit and loss for the period	270,169	59,165	105,640	–2,981	56,203
Balance sheet total	2,098,346	2,353,760	1,909,880	1,591,200	1,631,563
Profit/loss after tax	276,530	58,549	101,530	–4,917	52,126
Profit/loss per share	2,702	592	1,056	–30	562
Operating margin %	289	27	10	–30	–218
Equity/assets ratio (%)	65	47	41	30	59

Definitions of key ratios:

Operating margin % Operating profit/loss divided by turnover
Equity/assets ratio (%)Equity divided by total capital

CASH FLOW

The company is in a phase of intensive expansion. Developing real estate is very capital intensive. The cash flow for the company's investments comes primarily from equity, bank loans, bond loans and the divestment of real estate projects. As regards the company's investments in housing projects, the company obtains a positive cash flow only after occupancy. The company mainly invests in development properties for which the company is involved in pursuing detailed development plans. The positive aspect of investing in these projects at an early stage is that this allows the company access to the entire value chain. This yields higher profits but longer lead times.

The cash flow from ongoing operations during the year was SEK –63,896 thousand (SEK 676 thousand). The change derives from a reduction in accrued expenses regarding accumulated non-invoiced costs in the projects.

The cash flow from investment operations was SEK 4 476 thousand (SEK 416,772 thousand). The change derives from a reduction in loans to sister groups, an increase in receivables to associated companies, Arkensvik AB and Index Berinne Real Estate and the sale of subsidiaries.

The cash flow from financing operations during the year was SEK –77,405 thousand (SEK –353,901 thousand). The change reflects the repayment of loans and dividends to the owners.

LIQUIDITY

The group's liquid assets at the end of the year were SEK 53 million (SEK 186 million). The company has a strong focus on monitoring liquidity. Rolling one-year forecasts and four-year forecasts are prepared on a continuous basis.

RESTRUCTURING

In 2016, the group has continued its restructuring work in order to streamline operations and clarify the group's core operations; housing development

Index Energy Mill Road Corp

As part of the aforementioned restructuring, Index Residence AB (publ) sold its subsidiary Index Energy Mill Road Corp in March 2016. This divestment was made to a sister group. The divestment was made in accordance with the terms of the Company's outstanding bond loans, which in part means that the agent of the bondholders was informed of the divestment, that it was carried out on market terms, based on a third-party valuation report. Following the divestment, Index Residence AB (publ)'s loan receivables on the company have been re-classified from group receivables to Other long-term receivables.

Dalringen Gunnebo AB
In July 2016, the group sold the properties Gunnebo 1:109 and Gunnebo 1:110 in Västervik. This sale covers a total of 182 homes and 9 commercial premises.

Fastighets AB Kalmarsand
On 5 December 2016, Index Residence Holding AB sold the properties Spånga 1:8, Spånga 1:11 and Bista Soldattorp 1:1. The profit is reported under results from shares in subsidiaries.

Arkensvik AB
Index Residence AB (publ) has together with Granen Fastighetsutveckling AB formed a new real estate company called Arkensvik AB. Arkensvik AB aims to develop and manage a long-term real estate portfolio. During the period, Arkensvik AB has acquired its first housing project Juvelen from Index Living Holding AB. Projects Juvelen 1 and Juvelen 2 are located at the municipal building in Norrtälje and comprise just over 300 well-designed apartments.

The sale of Project Juvelen 1 has been divided up into two sales stages. Stage I consisting of 83 homes in stairwells one to five started in December 2016. December 2016 saw the sale of 32 of the 83 homes covered by stage 1. To date, 65 of the 83 homes in Stage I have been sold. The start of sales for stage II with the remaining 102 homes has taken place in March 2017. Occupancy will be evenly distributed over the period March to December 2017. To date, 25 of the 103 homes in Stage II have been sold.

The project in Juvelen 2 is being planned, and production is estimated to start in October 2017. Juvelen 2 comprises the erecting of 125 apartments with estimated occupancy in 2019.

OTHER REAL ESTATE PROJECTS

Norrtälje Harbour, Norrtälje municipality
The group has sold land in Norrtälje Harbor to the municipality for SEK 36.2 million. This item is reported under Other operating income.

Under the project name Norrtälje Torn, Index is building 468 homes consisting of 5 blocks. Besides housing, the project also contains 12 premises.

The start of sales for the first block in Norrtälje Torn, project Soltornet, took place in the second half of 2016. As of 31 December 2016, 76 of the total 87 homes were sold. The detailed development plan gained legal force during the last quarter of 2016, and the homes are expected to be ready for occupancy during the first quarter of 2019.

The second block, project Magasinet, consists of 46 tenant-owner apartments. The start of sales has taken place in April 2017, and the homes are expected to be completed in June 2019. The detailed development plan gained legal force in October 2016.

The work on the detailed development plans for the blocks Våghuset, Havstornet and Båthuset is proceeding according to plan, and these are expected to gain legal force during the second quarter of 2017 and during the first quarters of 2018 and 2019. The blocks consist of 335 homes. Construction start for the block Våghuset is planned for the first quarter of 2018.

POSITION ON THE MARKET

We consider our position as an independent operator in housing development to be very good. The markets in which we are active are underpinned by a stable market development. Our assessment is that this development will continue in 2017.

EMPLOYEES

The number of employees in the group in 2016 was 30 (35).

COMMUNICATION

During the year, Index Residence AB (publ) has completed the communication strategy and brand platform for the group. All of the group's various communication units are affected by the new platform, which among other things has hosted the launch of the new portals for indexresidence.se and indexresidence.com.

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS IN OPERATIONS

BUSINESS RISK

The real estate sector is particularly affected by macroeconomic factors such as general economic development, growth, employment, the degree of new construction, infrastructure changes, population growth, inflation and interest rates. Besides this, the group will be exposed to the new tax proposal on the packaging of real estate.

CURRENCY RISK

The company operates internationally and is exposed to currency risks arising from various currency exposures. Currency risk arises in connection with business transactions, reporting of assets, liabilities and with net investments abroad. It cannot be ruled out that the company's return might be affected by exchange rate fluctuations relating to foreign currency.

INVESTMENT RISK

Investments made in the company are also associated with technical risks. These are associated with the ongoing real estate management of property and facilities, and significant unforeseen costs cannot be ruled out. If such technical deficiencies in the properties were to arise, they might cause a significant increase in the costs of investments and will therefore have a negative impact on the group's return and financial position.

EXPECTED FUTURE DEVELOPMENT

The group's future prospects are good. The Swedish project portfolio amounts to 1,300 homes. The group has a project portfolio of around 2,900 homes under development together with the sister group, Index Enterprise LLC, whose investments are financed by Index Residence AB (publ). This includes the sister group’s ongoing and future production in Florida, United States.

Market development in housing in Greater Stockholm and Mälardalen continues to be very strong. In combination with today's low interest rate, which is expected to remain at a low level in 2017, the group's future prospects are very good.

CORPORATE GOVERNANCE REPORT

The corporate governance report is available as a separate part of Index Residence AB (publ)’s annual report 2016 and does not constitute part of the formal annual report documents.

Proposal for appropriation of profits

The Board proposes that the profits at disposal:

profit brought forward	498,618,258
Fund for development expenses	–207,060
profit/loss for the year	93,978,347
	592,389,545

be appropriated so that the following be transferred to a new account:	592,389,545

The company's and the group's profit/loss and position in general are stated in the following profit and loss statement and balance sheet and in the cash flow statement with additional information.

Consolidated statement of total profit and loss

Amounts in SEK thousand	Note	Financial year 2016	2015
Operating income			
Net turnover	5, 6	17,803	43,594
Other operating income	10	38,578	15,405
Sum		**56,381**	**58,999**
Operating expenses			
Purchase of goods and services		–30,555	–21,239
Other external expenses	8, 41	–40,319	–27,511
Personnel costs	9, 42	–17,025	–21,049
Depreciation and write-downs of tangible and intangible fixed assets	20, 22	–13,074	–3,477
Change in value buildings held for investment purposes	21	–	–9,795
Result from participations in group companies	11	191,338	8,459
Result from participations in associated companies	12	15,920	31,821
Sum operating expenses		**106,285**	**–42,791**
Operating profit/loss		**162,666**	**16,208**
Financial income	14	297,200	233,759
Financial expenses	14	–161,297	–267,387
Financial items, net	14, 19	135,903	–33,628
Profit/loss before tax		**298,569**	**–17,420**
Income tax	18	–22,039	75,969
Profit/loss for the year		**276,530**	**58,549**
Other total profit and loss			
Items that can be returned later in the profit and loss statement:			
Exchange rate differences		–6,361	616
Exchange rate differences, holdings without controlling influence		–	–
Other total profit and loss for the year, net after tax		**–6,361**	**616**
Sum total profit and loss for the year		**270,169**	**59,165**
Profit/loss for the year attributable to:			
Parent company's shareholders		276,530	59,378
Holdings without controlling influence			–829
Sum total profit and loss attributable to:			
Parent company's shareholders		270,169	59,994
Holdings without controlling influence			–829

Consolidated statement of financial position

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
FIXED ASSETS			
Intangible assets	20		
Concessions			10,323
Capitalized development expenses		1,707	277
Sum intangible assets		**1,707**	**10,600**
Tangible fixed assets			
Buildings held for investment purposes	21	32,607	77,209
Land and buildings	22	–	–
Equipment, tools, fixtures and fittings	22	4,929	2,129
Construction in progress	22	–	642,298
Sum tangible fixed assets		**37,536**	**721,636**
Financial fixed assets			
Holdings in associated companies	15	21,106	751
Holdings in joint ventures	16	6,396	2,941
Other long-term receivables	23, 26, 46	1,538,655	991,914
Financial assets valued at real value via the profit and loss statement	26	5,000	7,500
Sum financial fixed assets		**1,571,157**	**1,003,106**
Deferred tax receivables	24	–	–
SUM FIXED ASSETS		**1,610,400**	**1,735,342**
CURRENT ASSETS			
Inventories	26, 30, 46	308,849	299,260
Accounts receivable	26, 28	8,808	10,358
Tax receivables		62	62
Receivables from associated companies	46	89,935	–
Other receivables	26, 29	20,779	44,100
Financial assets valued at real value via the profit and loss statement	26	–	15,000
Prepaid expenses and accrued income	31	2,993	7,307
Derivative instruments	26	3,410	6,924
Liquid assets	26, 32	53,110	186,407
Fixed assets held for sale	33	–	49,000
Sum current assets		**487,946**	**618,418**
SUM ASSETS		**2,098,346**	**2,353,760**

Consolidated statement of financial position, continued

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
EQUITY			
Equity attributable to Parent company's shareholders			
Share capital	34	10,000	10,000
Reserves		4,468	10,829
Profit brought forward including total profit and loss for the year		1,346,829	1,093,124
Holdings without controlling influence		–	–
Sum equity		**1,361,297**	**1,113,953**
LIABILITIES			
Long-term liabilities			
Borrowing	3, 35	15,661	379,190
Bond loans	3, 35	371,980	369,909
Derivative instruments	3, 26, 27	9,413	73,986
Other long-term liabilities	3, 36	84,233	119,128
Deferred tax liabilities	24	64,673	73,097
Other provisions	43	2,753	3,162
Sum long-term liabilities		**548,713**	**1,018,472**
Short-term liabilities			
Borrowing	3, 35	43,885	13,414
Accounts payable	3, 26	11,783	77,515
Current tax liabilities		19,902	25,581
Derivative instruments	3, 26, 27	43,136	1,410
Other liabilities	3, 37	65,655	86,241
Accrued expenses and deferred income	38	3,975	17,174
Sum short-term liabilities		**188,336**	**221,335**
SUM EQUITY AND LIABILITIES		**2,098,346**	**2,353,760**

Consolidated statement of changes in equity

Attributable to Parent company's shareholders

Amounts in SEK thousand	Note	Share capital	Reserves	Profit/loss brought forward	Sum	Holdings without controlling influence	Sum equity
Opening balance as of 1 January 2015 according to IFRS		**10,000**	**10,213**	**1,062,146**	**1,082,359**	**2,136**	**1,084,495**
Profit/loss for the year		–	–	59,378	59,378	–829	58,549
Other total profit and loss		–	616	–	616	–	616
Sum total profit and loss		**–**	**10,829**	**59,378**	**59,994**	**–829**	**59,165**
Issued dividend		–	–	–28,400	–28,400	–	–28,400
Divestment subsidiary		–	–	–	–	–1,307	–1,307
Sum contributions from and value transfers to shareholders, reported directly in equity		**–**	**–**	**–28,400**	**–28,400**	**–1,307**	**–29,707**
Closing balance as of 31 December 2015		**10,000**	**10,829**	**1,093,124**	**1,113,953**	**–**	**1,113,953**
Opening balance as of 1 January 2016		**10,000**	**10,829**	**1,093,124**	**1,113,953**	**–**	**1,113,953**
Profit/loss for the year		–	–	276,530	276,530	–	276,530
Other total profit and loss		–	–6,361	–	–6,361	–	6,361
Sum total profit and loss		**–**	**–6,361**	**276,530**	**270,169**	**–**	**270,169**
Issued dividend		–	–	–28,000	–28,000	–	–28,000
Contributed capital		–	–	5,175	5,175	–	5,175
Sum contributions from and value transfers to shareholders, reported directly in equity		**–**	**–**	**–22,825**	**–22,825**	**–**	**–22,825**
Closing balance as of 31 December 2015		**10,000**	**4,468**	**1,346,829**	**1,361,297**	**–**	**1,361,297**

Consolidated statement of cash flows

Amounts in SEK thousand		Financial year	
	Note	2016	2015
Cash flow from ongoing operations			
Profit/loss after financial items		298,569	–17,420
Depreciation		918	3,477
Unrealized changes in value	21	–	9,795
Other items not affecting liquidity	44	–110,692	28,802
Result from participations in group companies	11	–132,361	–23,049
Paid interest		–54,940	–49,313
Received interest		28,851	32,998
Income taxes		–32,882	–1,215
Cash flow from ongoing operations before change in operating capital		**–2,537**	**–15,925**
Cash flow from change in operating capital			
Decrease of inventories and work in progress		–9,823	2,400
Change in short-term receivables		–16,628	239
Change in short-term liabilities		–34,908	13,962
Sum change in operating capital		**–61,359**	**16,601**
Cash flow from ongoing operations		**–63,896**	**676**
Cash flow from investment operations			
Purchase of intangible fixed assets		–1,839	–282
Purchase of tangible fixed assets	22	–4,230	–101,921
Sale of participations in group companies	11	–135,159	422,004
Acquisitions in associated companies and joint ventures	15, 16	–17,917	–620
Result from associated companies and joint ventures		28,550	254,800
Change in loans to associated companies		–89,935	922
Change other long-term receivables	23	225,006	–158,131
Cash flow from investment operations		**4,476**	**416,772**
Cash flow from financing operations			
Raised loans		5,260	108,851
Amortization of loans		–59,840	–434,352
Contribution of capital		5,175	–
Received/issued dividend		–28,000	–28,400
Cash flow from financing operations		**–77,405**	**–353,901**
Cash flow for the year		**–136,825**	**63,547**
Decrease/increase of liquid assets			
Liquid assets at the beginning of the year		186,407	132,351
Exchange rate differences in liquid assets		3,528	–9,491
Liquid assets at the end of the year	32	**53,110**	**186,407**

Parent company's profit and loss statement

Amounts in SEK thousand	Note	2016	2015
Operating income			
Net turnover	6, 7	1,943	1,897
Sum operating income		**1,943**	**1,897**
Operating expenses			
Purchase of goods and services		–	–15
Other external expenses	8	–20,534	–17,803
Personnel costs	9	–10,264	–10,566
Depreciation of intangible and tangible fixed assets	20, 22	–103	–70
Sum operating expenses		**–30,901**	**–28,454**
Operating profit/loss		**–28,958**	**–26,557**
Result from participations in group companies	11	11,834	–208,174
Result from participations in associated companies	12	28,200	244,300
Result from other security papers and receivables that are fixed assets	13, 19	104,195	–2,121
Other interest income and similar profit/loss items	14, 19	173,443	169,204
Interest expenses	14, 19	–118,618	–94,910
Profit/loss after financial items		**170,096**	**81,742**
Profit/loss before tax		**170,096**	**81,742**
Appropriations	17	–48,810	10,696
Tax on profit/loss for the year	18	–27,308	–13,557
Profit/loss for the year		**93,978**	**78,881**

The parent company has no items that are reported as other total profit and loss, for which reason sum total profit and loss matches profit/loss for the year.

Parent company's balance sheet

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized development expenses	20	207	
Tangible fixed assets			
Equipment, tools, fixtures and fittings	22	757	824
Financial fixed assets			
Participations in group companies	25	154,792	58,932
Receivables from group companies	26	77,101	722,548
Participations in associated companies		–	–
Participations in joint ventures		1,532	2,332
Receivables from associated companies and joint ventures	26	–	–
Other long-term receivables	23, 26	1,420,479	792,293
Sum financial fixed assets		**1,653,904**	**1,576,105**
Sum fixed assets		**1,654,868**	**1,576,929**
Current assets			
Short-term receivables			
Accounts receivable	26	1,761	1,487
Receivables from group companies	26	112,275	89,478
Receivables from associated companies and joint ventures		4,047	
Other receivables	26, 29	8,205	4,387
Prepaid expenses and accrued income	31	2,353	2,478
Sum short-term receivables		**128,641**	**97,830**
Cash and bank balances	26, 32	39,752	42,828
Sum current assets		**168,393**	**140,658**
SUM ASSETS		**1,823,261**	**1,717,587**

Parent company's balance sheet, continued

Amounts in SEK thousand	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	34	10,000	10,000
Statutory reserve		2,000	2,000
Fund for development expenses		207	
Sum restricted equity		**12,207**	**12,000**
Non-restricted equity			
Profit or loss brought forward		498,411	447,737
Profit/loss for the year		93,978	78,881
Sum non-restricted equity		**592,389**	**526,618**
Sum equity		**604,596**	**538,618**
Untaxed reserves		**76,500**	**35,200**
Provisions			
Other provisions	43	49,139	6,443
Long-term liabilities			
Bond loans	35	371,980	369,909
Liabilities to group companies	26	660,653	661,968
Sum long-term liabilities		**1,032,633**	**1,031,877**
Short-term liabilities			
Accounts payable	26	1,802	949
Liabilities to group companies	26	12,442	31,459
Liabilities to associated companies	26	–	–
Current tax liabilities		19,673	21,112
Other liabilities	26, 37	20,950	42,808
Accrued expenses and deferred income	38	5,526	9,121
Sum short-term liabilities		**60,393**	**105,449**
SUM EQUITY AND LIABILITIES		**1,823,261**	**1,717,587**

Parent company's changes in equity

Amounts in SEK thousand	Note	Restricted equity Share capital	Statutory reserve	Fund for development expenses	Non-restricted equity Profit/loss brought forward	Sum equity
Opening balance as of 1 January 2015	34	**10,000**	**2,000**		**476,137**	**488,137**
Total profit and loss						
Total profit and loss for the year		–	–		78,881	78,881
Issued dividend		–	–		–28,400	–28,400
Sum total profit and loss		**–**	**–**		**50,481**	**50,481**
Closing balance as of 31 December 2015		**10,000**	**2,000**		**526,618**	**538,618**
Opening balance as of 1 January 2016		**10,000**	**2,000**		**526,618**	**538,618**
Total profit and loss						
Total profit and loss for the year		–	–		93,978	93,978
Fund for development expenses		–	–	207	–207	–
Issued dividend		–	–		–28,000	–28,000
Sum total profit and loss		**–**	**–**	**207**	**65,771**	**65,978**
Closing balance as of 31 December 2016		**10,000**	**2,000**	**207**	**592,389**	**604,596**

Parent company's cash flow statement

Amounts in SEK thousand	**Note**	**Financial year 2016**	**2015**
Cash flow from ongoing operations			
Operating profit/loss after financial items		170,096	81,742
Adjustments for items not included in the cash flow	44	–137,654	135,303
Received interest		18,331	10,735
Paid interest		–34,635	–32,130
Paid income tax		–28,747	–3,935
Cash flow from ongoing operations before change in operating capital		**–12,609**	**191,715**
Cash flow from change in operating capital			
Increase/decrease in short-term receivables		–21,786	1,727
Increase/decrease in short-term liabilities		–108,076	–5,428
Sum change in operating capital		**–129,862**	**–3,701**
Cash flow from ongoing operations		**–142,471**	**188,014**
Investment operations			
Investments in intangible fixed assets		–243	–
Investments in tangible fixed assets	22	–	–14
Sale of subsidiaries		6,480	12,500
Investments in subsidiaries		–150	–
Sale of associated companies and joint ventures		800	
Investments in associated companies and joint ventures	15, 16	–	–620
Repayment of shareholder contributions		–	10,500
Change in investments in financial fixed assets		182,036	–46,778
Cash flow from investment operations		**188,923**	**–24,412**
Financing operations			
Raised loans	26	–	21,715
Amortization of loans		–21,528	–148,993
Disbursed dividend		–28,000	–28,400
Cash flow from financing operations		**–49,528**	**–155,678**
Cash flow for the year		**–3,076**	**7,924**
Liquid assets at the beginning of the year		42,828	34,904
Liquid assets at the end of the year	32	39,752	42,828

Notes

Note 1 General information

Index Residence AB (publ), corp. ID no. 556561-0770, is the parent company in the Index group. Index Residence AB (publ) is based in Stockholm with address Kungsträdgårdsgatan 18, Box 7744, 103 95 Stockholm, Sweden.

The operations of the parent company consist of groupwide functions and of organization for the CEO and administrative functions. The organization for projects and real estate administration is found in subsidiaries of the group. No properties are owned directly by the parent company.

The Index group manages and develops real estate, with a main focus on exclusive homes.

On 28 April 2017, these consolidated financial statements and annual report have been approved by the Board for publication.

All amounts are reported in SEK thousands unless otherwise stated. The information in parentheses refers to the previous year.

Note 2 Summary of important accounting principles

The most important accounting principles that are applied when these consolidated financial statements have been prepared are stated below. These principles have been applied consistently for all years presented, unless otherwise stated.

2.1 Basis of the preparation of the reports

The consolidated financial statements for the Index group have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, and with International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) adopted by the EU

The consolidated financial statements have been prepared in accordance with the acquisition value method except as regards valuations of buildings held for investment purposes, financial assets that can be sold, as well as financial assets and liabilities (derivative instruments) valued at real value via the profit and loss statement. The most important accounting principles that have been applied when these consolidated financial statements have been prepared are stated below. These principles have been applied consistently for all years presented, unless otherwise stated.

The parent company's accounting has been prepared in accordance with RFR 2 Accounting for Legal Entities and the Annual Accounts Act. Where the parent company applies other accounting principles than the group, this is stated separately at the end of this note.

The preparation of financial statements in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, the management is required to make some assessments when applying the group's accounting principles, see Note 4.

New standards, amendments and interpretations applied by the group

New and amended accounting principles

None of the new and amended standards and interpretations to be applied for the first time in the financial year beginning 1 January 2016 have had any significant effect on the group.

New and amended accounting principles that have not yet been applied

New and amended standards and interpretations which have been published but which enter into force later than 1 January 2016 are stated below. None of these have been applied in advance. It is too early to say whether the new or amended IFRS or IFRIC interpretations that are mandatory for financial years beginning 1 January 2016 or later and have been approved by the EU will have any significant effect on the group's financial statements. The IASB has published several new and amended accounting principles which have not yet been approved by the EU but which, given future approval, might affect the group's financial statements.

With respect to this, Index intends to heed these principles, but does not intend, where opportunity is given, to apply these accounting principles in advance.

- IFRS 9 Financial instruments was published in full in July 2014 and is intended to replace IAS 39 Financial instruments: Valuation and classification. IFRS 9 brings together all aspects of financial instrument reporting (except for macro hedging); classification, valuation, write-down and hedge accounting. Classification and valuation: The categories for classifying financial assets found in IAS 39 are replaced by two categories, where valuation is made at real value or accrued acquisition value.

  The write-down model, which in IAS 39 is based on incurred losses, is based in IFRS 9 on expected losses, which requires a more timely reporting of credit losses. Hedge accounting has been improved in IFRS 9 so that the effects of how a company manages the risks of its financial instruments are more clearly reflected in the financial reporting. The standard is to be applied retroactively and is mandatory to apply for financial years beginning 1 January 2018 or later, but is available for earlier application. The group intends to apply the standard as of the financial year beginning 1 January 2018. The standard is not expected to have any known material effects on the reporting of the financial instruments held by the group at present.

- IFRS 15 Revenue from Contracts with Customers that was published by the IASB in May 2014 is a comprehensive principle-based standard for all revenue recognition, regardless of the type of transaction or industry, and replaces all previously published standards and interpretations covering revenue recognition. The standard is to be applied retroactively and is mandatory to apply for financial years beginning 1 January 2018 or later, but is available for earlier application. The group has commenced work to evaluate the effects of the introduction of this new standard, but it is too early to say that it will have any material impact on the recognition of the group's revenue. The group intends to apply the standard as of the financial year beginning 1 January 2018.

- IFRS 16 Leases was published by the IASB in January 2016 and is intended to replace IAS 17 Leasing agreements and the associated interpretations IFRIC 4, SIC-15 och SIC-27. The standard requires assets and liabilities attributable to all leasing agreements, with some exceptions, to be reported in the balance sheet. The reporting for the lessor will be essentially unchanged. The standard is mandatory to apply for financial years beginning 1 January 2019 or later. Application in advance is permitted. The EU has not yet adopted the standard. The

Notes

standard is assessed to have few effects on the reporting of assets and liabilities attributable to the Group's operational leasing agreements. The effects will be investigated in 2017.

No other published IFRS or IFRIC interpretation that has not yet been approved by the European Commission is assessed to be relevant to the group's financial statements

2.2 Consolidated financial statements

Subsidiaries

Subsidiaries are all companies (including structured companies) over which the group has controlling influence. The group controls a company when it is exposed to or is entitled to variable returns from its holding in the company and has opportunity to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements as of the date when the controlling influence is transferred to the group. They are excluded from the consolidated financial statements as of the date when the controlling influence ceases.

Acquisition accounting is used for reporting the group's operating acquisitions. The purchase sum for the acquisition of a subsidiary consists of the real value of transferred assets, liabilities and the shares that have been issued by the group. The purchase sum also includes the real value of all assets and liabilities resulting from an agreement on a conditional purchase sum. Acquisition-related costs are expensed when they arise. Identifiable acquired assets and assumed liabilities in an operating acquisition are initially valued at real values on the acquisition date.

For each acquisition, the group determines whether holdings without controlling influence in the acquired company are reported at real value or at the holdings' proportionate share of the reported value of the acquired company's identifiable net assets.

Acquisition-related costs are expensed when they arise.

If the operating acquisition is performed in multiple steps, the previous proportions of equity in the acquired company are revalued at their real value on the acquisition date. Any profit or loss resulting from the revaluation is reported in the profit and loss.

Every conditional purchase sum that is to be settled by the group is reported at real value on the acquisition date. Subsequent changes in the real value of a conditional purchase sum that has been classified as an asset or liability are reported in accordance with IAS 39 in the profit and loss statement. A conditional purchase sum that is classified as equity is not revalued, and subsequent settlement is reported in equity.

Intra-group transactions, balance sheet items and unrealized gains and losses on transactions between group companies are eliminated. The accounting principles for subsidiaries have been amended, where applicable, in order to guarantee consistent application of the group's principles.

Associated companies and joint ventures

Associated companies are all the companies in which the group has a significant but not a controlling influence, which generally applies to shareholdings covering between 20 % and 50 % of the votes. Joint ventures refer to companies in which the group, through cooperation agreements with one or more parties, has a joint controlling influence over the management of the company. Holdings in associated companies and joint ventures are reported in accordance with the equity method. When applying the equity method, the investment is initially valued at acquisition value, and the reported value is subsequently increased or decreased to take into account the group's share of profit or loss after the acquisition date.

The group's share of profit/loss that has arisen after the acquisition is reported in the profit and loss statement, and its share of changes in other total profit and loss after the acquisition is reported within the operating profit/loss with the corresponding change in the holding's reported value. When the group's share in the losses of an associate company/joint venture amounts to or exceeds its holdings, including any receivables without security, the group does not report additional losses unless the group has assumed legal or informal obligations or made payments on behalf of the associated company/joint venture.

The group assesses at the end of each reporting period whether there is objective evidence that there is a write-down requirement for the investment in associated companies/joint ventures. If so, the group calculates the write-down amount as the difference between the recovery value of the associate company/joint venture and the reported value and reports the amount in "Profit participation in associate companies and joint ventures" in the profit and loss statement.

Profits and losses from "upstream" and "downstream transactions" between the group and its associated companies/joint ventures are reported in the consolidated financial statements only to the extent that they correspond to non-related companies' holdings in associated companies/joint ventures. Unrealized losses are eliminated, unless the transaction constitutes evidence that there is a write-down requirement for the transferred asset. Accounting principles applied in associated companies/joint ventures have been amended, where applicable, in order to guarantee consistent application of the group's principles.

2.3 Translation of foreign currency

Functional currency and reporting currency

The different units in the group have the local currency as their functional currency when the local currency has been defined as the currency used in the primary economic environment in which the respective unit is primarily active. The consolidated financial statements use Swedish kronor (SEK), which is the parent company's functional currency and the group's reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency according to the exchange rates applicable on the transaction date. Exchange gains and losses arising upon payment of such transactions and when translating monetary assets and liabilities inforeign currency at the rate on the balance sheet date are reported in the operating profit/loss in the profit and loss statement.

Translation of foreign group companies

Profit/loss and financial position for all group companies that have a functional currency other than the reporting currency are translated into the group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign operations into the group's reporting currency, Swedish kronor, at the exchange rate applicable on the balance sheet date. Income and expenses for each of the profit and loss statements are translated into Swedish kronor at the average exchange rate applicable on each transaction date. Translation differences arising in the currency translation of foreign operations are reported in other total profit and loss.

Notes

2.4 Intangible assets

Concessions
The intangible assets consist of concessions. Concessions have been acquired through operating acquisitions (in Canada) and are reported at real value on the acquisition date. Concessions have a determinable period of use and are reported at acquisition value with depreciation deducted. Depreciation is made on a straight-line basis over the period of use of 20 years.

Capitalized development expenses
Costs for the maintenance of software are expensed when they arise. Development expenses directly attributable to the development and testing of identifiable and unique software products that are controlled by the group are reported as intangible assets when technically possible for the software and its use and that the expenses attributable to the software during its development can be reliably calculated. Development expenses for the group's brand platform, and which improve future earnings capacity, are capitalized and reported at acquisition value. The period of use of current capitalizations is assessed to be 5 years. They are write-down tested if events or changes in conditions indicate a possible value decrease. Any write-down is immediately reported as an expense.

2.5 Tangible fixed assets

Buildings held for investment purposes
Buildings held for investment purposes are held for the purpose of generating rental income and value increases. Buildings held for investment purposes in the group are reported at acquisition value, including directly attributable transaction costs. After this initial reporting, buildings held for investment purposes are reported at real value. Real value is in the first instance based on prices on an active market and is the amount at which an asset could be transferred between initiated parties that are independent of each other and that have an interest in the transaction being conducted. In order to determine the real value of the properties at each individual accounting year end, a market valuation is made of all properties. Note 20 contains a more detailed description of the basis used by Index Residence AB (publ) to value its buildings held for investment purposes.

Changes in the real value of buildings held for investment purposes are reported as a change in value in the profit and loss statement.

Additional expenses are capitalized only when it is probable that future financial advantages associated with the asset will be obtained by the group and the expense can be reliably determined and that the measure relates to the replacement of an existing or the introduction of a new identified component. Other repair and maintenance expenses are taken up as profit/loss continuously in the period in which they arise.

Other tangible fixed assets
Other tangible fixed assets are reported at acquisition value with deductions for depreciation. The acquisition value includes expenses that are directly attributable to the acquisition of the asset. Land does not have any depreciation.

Additional expenses are added to the asset's reported value or are reported as a separate asset, depending on which is appropriate, only when it is probable that the future financial benefits associated with the asset will be credited to the group and the asset's acquisition value can be reliably measured. The reported value of a replaced part is removed from the balance sheet. All other forms of repair and maintenance are reported as expenses in the profit and loss statement in the period in which they arise.

Every part of a tangible fixed asset with an acquisition value that is significant in relation to the asset's total acquisition value is depreciated separately. No depreciation is made for land or construction in progress. Depreciation on other assets is made on a straight-line basis as follows:

Capitalized development expenses	5 years
Buildings	50 years
Building equipment	4 years
Equipment, tools, fixtures and fittings	5 years

The assets' residual value and period of use are examined at the end of each reporting period and adjusted as necessary. An asset's reported value is immediately written down to its recovery value if the asset's reported value exceeds its assessed recovery value.

Profits and losses in the divestment of a tangible fixed asset are determined through a comparison between the sales revenue and the reported value and are reported, respectively, in other operating income and other operating expenses in the profit and loss statement.

2.6 Write-downs of non-financial fixed assets

Assets that are depreciated are assessed with regard to value decrease whenever events or changes in conditions indicate that the reported value is perhaps not recoverable. A write-down is made by the amount at which the asset's reported value exceeds its recovery value. The recovery value is the higher of the asset's real value less sales costs and its use value. The assessment of write-down requirements groups assets at the lowest levels at which there are separate identifiable cash flows (cash-generating units). For assets, other than financial assets, which have previously been written down, an examination of whether cancellation should be made is carried out on each balance sheet date.

2.7 Fixed assets held for sale

Fixed assets are classified as assets held for sale when their reported value will mainly be recovered through a sales transaction and a sale is considered highly probable. They are reported at the lower of reported value and real value minus sales costs.

2.8 Financial instruments – general

Financial instruments are found in many different balance sheet items and are described under 2.8–2.14.

2.8.1 Classification

The group classifies its financial assets and liabilities in the following categories: financial assets and liabilities valued at real value via the profit and loss statement, loan receivables and accounts receivable and other financial liabilities. The classification is dependent on the purpose for which the financial asset or liability was acquired.

Notes

Financial assets and liabilities valued at real value via the profit and loss statement

Financial assets and liabilities valued at real value via the profit and loss statement are financial instruments held for trade. Derivative instruments are classified as being held for trade if they are not identified as securities. The group classifies derivative instruments (currency options) in this category.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that are not derivatives, that have determined or determinable payments and that are not quoted on an active market. They are included in current assets with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as fixed assets. The group's "loan receivables and accounts receivable" consist of receivables from associated companies, other long-term receivables, accounts receivable, liquid assets (see Notes 2.8 and 2.9) and of the financial instruments that are reported among other receivables.

Financial assets than can be sold

Financial assets than can be sold are assets that are not derivatives and where the assets are identified as being able to be sold or have not been classified in any of the other categories. They are included in fixed assets if they will be settled later than 12 months after the balance sheet date. The group's "financial assets than can be sold" consists of additional purchase sums regarding real estate sales.

Other financial liabilities

The group's long-term and short-term liabilities to credit institutes, other long-term liabilities, accounts payable, short-term liabilities to associated companies, and that part of other short-term liabilities relating to financial instruments, are classified as other financial liabilities.

Additional purchase sums when acquiring properties are valued at real value. Additional purchase sums are reported at the amount necessary to settle the commitment. The amounts are to be paid as and when detailed development plans for the acquired properties gain legal force.

2.8.2 Reporting and valuation

Purchases and sales of financial assets are reported on the business date, the date when the group undertakes to buy or sell the asset. Financial instruments are reported the first time at real value plus transaction costs, which applies to all financial assets that are not reported at real value via the profit and loss statement. Financial assets valued at real value via the profit and loss statement are reported the first time at real value, while attributable transaction costs are reported in the profit and loss statement. Financial assets are removed from the balance sheet when the right to obtain cash flows from the instrument has expired or been transferred and the group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been fulfilled or otherwise extinguished.

Financial assets and liabilities valued at real value via the profit and loss statement are reported after the acquisition date at real value. Loan receivables and accounts receivable as well as other financial liabilities are reported after the acquisition date at accrued acquisition value using the effective interest method.

Profits and losses resulting from changes in real value regarding the category financial assets and liabilities valued at real value via the profit and loss statement are taken up as profit/loss in the period they arise and are included in the net financial income and expenses since this derives from financing operations.

2.8.3 Offset of financial instruments

Financial assets and liabilities are offset and reported with a net amount in the balance sheet only when there is a legal right to offset the reported amounts and an intention to settle them with a net amount or to simultaneously realize the asset and settle the liability. This legal right may not be dependent on future events and it must be legally binding on the company and the counterparty both in normal business operations and in cases of suspension of payment, insolvency or bankruptcy.

2.8.4 Write-down of financial instruments

Assets that are reported at accrued acquisition value - (loan receivables and accounts receivable)

The group assesses at the end of each reporting period whether there is objective evidence that there is a write-down requirement for a financial asset or a group of financial assets. A financial asset or group of financial assets has a write-down requirement and is written down only if there is objective evidence that there is a write-down requirement resulting from the occurrence of one or more events after the asset has been reported the first time. And that this event has an effect on the estimated future cash flows for the financial asset or group of financial assets that can be reliably estimated.

The write-down is calculated as the difference between the asset's reported value and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. The asset's reported value is written down and the write-down amount is reported in the group's profit and loss statement within "other external expenses" or within the net financial income and expenses depending on which financial asset is written down. If the write-down requirement decreases in a subsequent period and the decrease is objectively attributable to an event that occurred after the write-down was reported, the cancellation of the previously reported write-down is reported in the group's profit and loss statement within "other external expenses" or within the net financial income and expenses depending on which financial asset was written down.

Assets classified as financial assets than can be sold

The group assesses at the end of each reporting period whether there is objective evidence that there is a write-down requirement for a financial asset or a group of financial assets. If such evidence exists for liability instruments, the accumulated loss – calculated as the difference between the acquisition value and current real value, less any previous write-downs reported in the profit and loss statement – is removed from equity and reported in the profit and loss statement. If the real value of a promissory note that can be sold increases in a subsequent period and this increase is objectively attributable to an event after the write-down occurred, the write-down is canceled via the profit and loss statement.

Notes

2.9 Derivative instruments

Derivative instruments are financial instruments that are reported in the balance sheet on the business date and are valued at real value, both initially and in subsequent revaluations. The profit or loss arising from revaluation is reported in the profit and loss statement when the requirements for hedge accounting are not fulfilled.

The real value of a derivative instrument is classified as a fixed asset or long-term liability when the remaining life of the hedged item is longer than 12 months, and as a current asset or short-term liability when the remaining life of the hedged item is less than 12 months.

2.10 Inventories

The inventory of financial instruments is valued at real value. The inventory of raw materials and necessities is reported at the lower of the acquisition value and the net realizable value. The acquisition value is determined using the first-in, first-out method. Real estate projects, in which the intention is to sell after completion, are reported as buildings held for sale. The acquisition value of buildings held for sale includes expenses for land acquisition and project planning / property development and for expenses for new construction, extension or conversion.

Buildings held for sale

Land held for sale (buildings held for sale) are reported at the lower of the acquisition value and the net realizable value. The acquisition value consists of land acquisition, project planning and property development and of expenses for new construction. Expenses for loan costs are capitalized. When the development is completed, the loan costs and other administration fees are expensed as and when these costs arise.

2.11 Accounts receivable

Accounts receivable are financial instruments that consist of amounts to be paid by customers for goods and services sold in ongoing operations. If payment is expected within one year or earlier, they are classified as current assets. If not, they are classified as fixed assets.

Accounts receivable are initially reported at real value and subsequently at accrued acquisition value using the effective interest method, less any reserves for value decrease.

2.12 Liquid assets

Liquid assets are a financial instrument and comprise, in both the balance sheet and in the statement of cash flows, cash and bank balances.

2.13 Accounts payable

Accounts payable are financial instruments and refer to obligations to pay for goods and services acquired from suppliers in ongoing operations. Accounts payable are classified as short-term liabilities if they are due within one year. If not, they are classified as long-term liabilities.

Accounts payable are initially reported at real value and subsequently at accrued acquisition value using the effective interest method.

2.14 Liabilities to credit institutes

Liabilities to credit institutes are financial instruments and are initially reported at acquisition value, net after transaction costs. Borrowing is subsequently reported at accrued acquisition value, and any difference between received amount (net after transaction costs) and the repayment amount is reported in the profit and loss statement distributed over the loan period, using the effective interest method.

Borrowing is classified as short-term liabilities unless the group has an unconditional right to postpone payment of the liability for at least 12 months after the end of the reporting period.

2.15 Loan expenses

General and special loan expenses that are directly attributable to the purchase, construction or production of qualified assets, which are assets that necessarily take a considerable amount of time to complete for their intended use or sale, are reported as a part of the acquisition value of these assets. The capitalization ceases when all activities necessary to complete the asset for its intended use or sale are mainly completed.

Financial income that has arisen when specially borrowed capital has been temporarily invested pending use for financing the asset reduces the capitalizable loan expenses. All other loan expenses are expensed when they arise.

2.16 Provisions

The provisions are valued at the present value of the amount that is expected to be necessary to settle the obligation. This uses a discount rate before tax that reflects a current market assessment of the time-dependent value of money and the risks associated with the provision. The increase in the provision resulting from the elapse of time is reported as an interest expense.

Provisions for future expenses regarding guarantee commitments are reported at the amount necessary to settle the commitment. Guarantee provision runs until September 2019.

2.17 Current and deferred tax

The period's tax expense covers current and deferred tax. The current tax expense is calculated on the basis of the tax rules which on the balance sheet date have been adopted or adopted in practice in the countries where the parent company and its subsidiaries are active and generate taxable income.

Deferred tax is reported, according to the balance sheet method, on all temporary differences that arise between the tax value of assets and liabilities and their reported values in the consolidated financial statements. Deferred income tax is calculated using tax rates that have been adopted or announced as of the balance sheet date and that are expected to apply when the deferred tax receivable concerned is realized or the deferred tax liability is settled.

Notes

Deferred tax receivables on deficit deductions are reported to the extent that it is probable that future tax surplus will be available, against which the deficits can be utilized.

Deferred tax receivables and liabilities are offset when there is a legal right to offset current tax receivables and tax liabilities, the deferred tax receivables and tax liabilities derive from taxes charged by one and the same tax authority and relate either to the same tax subject or different tax subjects and there is an intention to settle the balances through net payments.

2.18 Remuneration to employees

Salaries and remuneration

Liabilities for salaries and remuneration, including non-monetary benefits and paid absence, which are expected to be settled within 12 months after the end of the financial year, are reported as short-term liabilities at the non-discounted amount that is expected to be paid when the liabilities are settled. The costs are reported as and when the services are performed by the employees.

Pension obligations

The group has only defined contribution pension plans. A defined contribution pension plan is a pension plan according to which the group pays fixed fees to a separate legal entity. The group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all remunerations to employees associated with the employees' service during current or previous periods.

For defined contribution pension plans, the group pays fees to publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The group has no additional payment obligations once the fees have been paid. The fees are reported as personnel costs when they are due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments can be credited to the group.

Remuneration upon notice of termination

Remuneration upon notice of termination is payable when an employee's employment has been terminated by the group before the time of normal retirement or when an employee accepts voluntary termination in exchange for such remuneration.

The group reports remuneration upon notice of termination when it is demonstrably obligated to terminate employees according to a detailed formal plan without the possibility of revocation. Where the company has submitted an offer to encourage voluntary termination, the severance pay is calculated based on the number of employees who are calculated to accept the offer. Benefits due more than 12 months after the end of the reporting period are discounted at present value.

2.19 Revenue recognition

Income covers the real value of what has been received or will be received for sold goods and sold services in the group's ongoing operations and for rental income. The group's income essentially consists of rental income from real estate, income from a biogas plant and the sale of buildings held for investment purposes. Income is reported excluding VAT and discounts and after elimination of intra-group sales.

Income from the sale of goods is reported when the risks and benefits associated with ownership of the goods have been transferred to the buyer, which normally occurs in connection with delivery, and when the income and associated expenses can be reliably calculated and it is probable that the financial advantages associated with the sale of the units fall to the group.

Service income

The group sells various forms of services externally, such as fees for real estate consultation, administration and for financing. Income from the sale of services is reported in the period when the services are performed.

Real estate income

The rental agreements are classified in their entirety as operational leasing agreements under Note 2.20 below, for which reason the group's reported income mainly relates to rental income. Real estate income is reported on a straight-line basis in the profit and loss statement based on the terms in rental agreements. Advance rent is reported as prepaid real estate income. Income from the advance redemption of rental contracts is reported as income in the period in which the remuneration has been received, where no additional measures are required on the part of the group.

Interest income

Remuneration in the form of interest is reported as income when it is probable that the company will receive the financial advantages associated with the transaction and when the income can be reliably calculated. Interest is reported as income according to the effective interest method

Income from real estate sales

Index Residence reports income and expenses from acquisitions and divestments of real estate at the time when risks and benefits have been transferred to the buyer, which normally coincides with the day of taking possession. The assessment of revenue recognition takes into account what has been agreed between the parties regarding risks and benefits as well as involvement in ongoing administration. It also takes into account circumstances that might affect the outcome of the deal which are beyond the control of the seller and/or buyer. The criteria for revenue recognition are applied to each transaction separately.

During the year, a wholly owned building held for investment purposes has been first divested to a 50 per cent owned joint venture company and subsequently divested to a tenant-owner association.

The income has been reported by 50% of the income upon divestment to the joint venture company first having been reported at the time of divestment. The income from the divestment to the tenant-owner association follows in 2016 the principle that income from this sale is not reported until final settlement with the tenant-owner association has taken place.

In 2017, the group intends to amend this principle to report income from the sale of homes according to the principle of successive profit recognition.

Notes

2.20 Leasing

Index Residence is a lessee
The group holds leasing agreements regarding photocopiers and the rental of office premises.

Leasing where a significant part of the risks and advantages of ownership is retained by the lessor is classified as operational leasing. Payments made during the leasing period are expensed in the profit and loss statement on a straight-line basis over the leasing period. All leasing agreements have been classified as operational leasing agreements in the group.

Index Residence is a lessor
Leasing agreements where all risks and benefits associated with ownership essentially fall on the lessor are classified as operational leasing agreements. All the rental agreements of the group are on the basis of this classified as operational leasing agreements. Properties rented out under operational leasing agreements are included in the item buildings held for investment purposes.

2.21 Cash flow statement

The cash flow statement is prepared according to the indirect method. This means that the operating profit/loss is adjusted for transactions that have not entailed in or out-payments during the period and for any income and expenses derived from the cash flows of investment or financing operations.

2.22 Share capital

Ordinary shares are classified as equity.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting submitted to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and assessing the profit/loss of the operating segments. Index Residence AB (publ) has identified one operating segment, which is the group in its entirety. This assessment is based on the fact that the group's management team constitutes the "highest executive decision-maker" and follows up the group as a whole, as no form of geographical division or division of business area/product category etc. is applicable. The financial reporting is based on a groupwide functional organizational and management structure.

2.24 Parent company's accounting principles

The annual report for the parent company has been prepared in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 for legal entities.

The parent company applies other accounting principles than the group in the cases stated below.

Formats
The profit and loss statement and balance sheet follow the format of the Annual Accounts Act. The statement of change in equity also follows the group's format but is to contain the columns stated in ÅRL. This also entails a difference in designations, compared with the consolidated financial statements, mainly regarding financial income and expenses and equity.

Participations in subsidiaries
Participations in subsidiaries are reported at acquisition value after deductions for any write-downs. The acquisition value includes acquisition-related costs and any additional purchase sums.

When there is an indication that participations in subsidiaries have decreased in value, a calculation of the recovery value is made. If this is lower than the reported value, a write-down is made. Write-downs are reported in the items "Result from participations in group companies".

Leasing agreements
All leasing agreements, regardless of whether they are financial or operational, are classified as operational leasing agreements.

Financial instruments
IAS 39 is not applied in the parent company, and financial instruments are valued at acquisition value.

Group contributions
According to the alternative rule, group contributions that the parent company receives from or issues to subsidiaries are reported as appropriations.

Note 3 Financial risk management

3.1 Financial risk factors
Through its operations, the group is exposed to a great variety of financial risks: market risk (currency risk and cash flow interest risk), credit risk and liquidity risk. The group's overall risk management policy focuses on the unpredictability on the financial markets and strives to minimize potential unfavorable effects on the group's financial result. The group uses derivative instruments such as currency options to hedge a given risk exposure. The finance and risk management is handled by the company's finance department at the directive of owners and the Board. The parent company is largely responsible for the group's loan financing, currency and interest risk management, and serves as an internal bank for the group companies' financial transactions.

a) Market risk

(i) Currency risk
The group operates internationally and is exposed to currency risks arising from various currency exposures, primarily with regard to US dollars (USD) and Canadian dollars (CAD). Currency risk mainly arises through reported assets and liabilities and through net investments in foreign operations.

Notes

Transaction risk

Transaction risk is the risk of an effect on the group's net income and cash flow as a result of the value of reported assets and liabilities in foreign currencies and the commercial flows in foreign currencies changing when there are changes in the exchange rates. The group makes most purchases and sales in the respective group companies' local currency, and the group thereby has no significant currency risk in the commercial flows. The transaction risk mainly arises through the group's borrowing and lending in USD and CAD.

In 2016, exchange rate differences that have been reported in the profit and loss statement amounted to SEK 103,181 thousand (SEK 8,758 thousand).

Of these, SEK 4,468 thousand (SEK 4,603 thousand) relate to translation differences from the subsidiaries in the United States and Canada. The remainder derives from revaluation to the rate on the balance sheet date of the group's borrowing and lending in USD and CAD

Translation risk

The group has a risk when translating foreign subsidiaries' net assets into the consolidation currency Swedish kronor (SEK). There are foreign subsidiaries in the United States and Canada. The currency exposure arising from the net assets in the group's foreign operations is mainly handled through borrowing in the foreign currencies concerned, CAD and USD.

The group has analyzed its sensitivity to changes in CAD and USD for the foreign subsidiaries' net assets.

If SEK had become 10 % weaker/stronger relative to USD with all other variables constant, profit/loss for the year as of 31/12/2016 would have been SEK 207 thousand higher/lower (SEK 457 thousand higher/lower).

If SEK had become 10 % weaker/stronger relative to CAD with all other variables constant, profit/loss for the year as of 31/12/2016 would have been SEK 5,856 thousand higher/lower (SEK 11,984 thousand higher/lower). Correspondingly, equity would have been affected by SEK +– 4 111 thousand if SEK had become 10 % weaker/stronger relative to USD and by SEK +– 483 thousand if SEK had become 10 % weaker/stronger relative to CAD.

(ii) Interest risk

The group has interest-bearing financial assets and liabilities whose changes linked to market interest rates affect profit/loss and cash flow from current operations. Interest risk refers to the risk that changes in the general interest rate have a negative effect on the group's net income. The group's interest risk mainly arises through long-term borrowing that mostly runs with variable interest rates. Borrowing made with variable interest rates exposes the group to interest risk regarding cash flow, which is partly neutralized by lending and bank deposits with variable interest rates. Borrowing made with fixed interest rates exposes the group to interest risk regarding real value. In 2016 and 2015, the group's borrowing and lending consisted of the currencies SEK, USD and CAD. The group does not make use of derivative instruments to handle the interest risk in its borrowing.

Liabilities to credit institutes at variable interest rates amounted, as of the balance sheet date, to SEK 0 thousand (SEK 389,285 thousand), and the group's liquid assets to SEK 53,110 thousand (SEK 186,407 thousand). A change in interest rate by +/– 2 % would entail an effect on net interest income of +/– SEK 0 thousand (SEK 7,784 thousand).

b) Credit risk

Credit risk is managed at the group level, with the exception of credit risk regarding outstanding accounts receivable. Each group company is responsible for following up and analyzing the credit risk for each new customer before standard terms for payment and delivery are offered. Credit risk arises through liquid assets, derivative instruments and bank balances and through outstanding bank deposits and agreed transactions. Lending to related companies constitutes a risk if the counterparty were no longer able or were to otherwise refrain from fulfilling its obligations. If such a situation arises, this might have a negative effect on the group's return and financial position. In the absence of an independent credit assessment, a risk assessment is made of the client's/tenant's creditworthiness, taking into account their financial position, as well as previous experience and other factors. Individual risk limits are determined based on internal or external credit assessments in accordance with the limits set by the board/management. The use of credit limits is followed up regularly. No credit limits are exceeded during the reporting period, and the management expects no losses resulting from non-payment by these counterparties.

c) Liquidity risk

Liquidity risk is the risk of the group lacking liquid assets for paying its commitments regarding financial liabilities. The objective of the company's liquidity management is to minimize the risk of the group not having sufficient liquid assets to meet its commercial commitments. Cash flow forecasts are prepared continuously by the group's finance department, reporting to the management. The finance department closely monitors rolling forecasts for the group's liquidity reserve to ensure that the group has sufficient cash funds to meet its needs in ongoing operations. The finance department also ensures that the group continuously maintains sufficient scope for agreed credit facilities that are not utilized so that the group does not violate loan limits/loan terms (where applicable) on any of the group's loan facilities. Surplus liquidity in the group's operating companies, exceeding that part required to handle operating capital requirements, is transferred to the group's parent company.

The group has no unutilized credit facilities. During the year, the group will decide on repayment or refinancing of the bond, which runs until 22 May 2018. Future liquidity strain otherwise relates to payment of accounts payable and other short-term liabilities as well as amortization of loans.

The table below analyses the group's non-derivative financial liabilities and net-settled derivative instruments that constitute financial liabilities, broken down by the period remaining on the balance sheet date until the contractual maturity date. Derivative instruments that constitute financial liabilities are included in the analysis if their contractual maturity dates are essential for understanding the times of future cash flows. The amounts stated in the table are the contractual, non-discounted cash flows.

Notes

As of 31 December 2016 (SEK thousand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bond loans	–	371,980	–	–
Liabilities to credit institutes	43,885	419	1,257	13,985
Other long-term liabilities			84,233	
Accounts payable	11,783	–	–	–
Derivative instruments	43,136	9,413	–	–
Other short-term liabilities	65,655	–	–	–
Sum	**164,459**	**381,812**	**85,490**	**13,985**

As of 31 December 2016 (SEK thousand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Bond loans	–	–	369,909	–
Liabilities to credit institutes	13,414	50,055	30,165	298,970
Other long-term liabilities	–	1,628	117,500	–
Accounts payable	77,515	–	–	–
Liabilities to associated companies		–	–	–
Derivative instruments	1,410	–	11,957	62,029
Other short-term liabilities	86,241	–	–	–
Sum	**178,580**	**51,683**	**526,531**	**360,999**

3.2 Management of capital risk

The group's objective regarding the capital structure is to secure the group's capacity to continue its operations so that it can continue to generate returns to its shareholders and benefit for other stakeholders and maintain an optimal capital structure to keep the cost of capital down.

The group assesses capital on the basis of the debt/equity ratio. This key ratio is calculated as net liability divided by total capital. Net liability is calculated as total borrowing (covering the items short-term borrowing and long-term borrowing in the group's balance sheet) less liquid assets. Total capital is calculated as net liability plus equity.

(SEK THOUSANDS)	31/12/2016	31/12/2015
Total borrowing (Note 35)	431,526	762,513
Deducted: liquid assets (Note 31)	–53,110	–186,407
Net liability	378,416	576,106
Equity	1,361,297	1,113,953
Sum capital	**1,739,713**	**1,690,059**
Debt/equity ratio	**21.75 %**	**34.09 %**

3.3 Calculation of real value

Reported value, after any write-downs, for accounts receivable and other receivables and for accounts payable and other liabilities are assumed to correspond to their real values since these items are short-term in nature.

The table below shows financial instruments valued at real value based on how the classification in the real value hierarchy has been made. The different levels are defined as follows:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (Level 1)
- Observable data for the asset or liabilities other than quoted prices included in Level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (Level 2).
- Data for the asset or liability that is not based on observable market data (i.e. non-observable data) (Level 3)

Notes

The following table shows the group's financial assets and liabilities valued at real value as of 31 December 2016.

(SEK thousands)	Level 1	Level 2	Level 3	Sum
Assets				
Financial assets valued at real value via the profit and loss statement				
– Derivative instruments held for trade: Currency options	–	3,410	–	3,410
– Additional purchase sums	–	–	5,000	5,000
Sum assets	**–**	**3,410**	**5,000**	**8,410**
Liabilities				
Financial liabilities valued at real value via the profit and loss statement				
Additional purchase sum			84,233	
– Derivative instruments held for trade: Currency options		43,136	–	43,136
Interest swap		9,413	–	9,413
Sum liabilities	**–**	**52,549**	**84,233**	**52,549**

The following table shows the group's financial assets and liabilities valued at real value as of 31 December 2015.

(SEK thousands)	Level 1	Level 2	Level 3	Sum
Assets				
Financial assets valued at real value via the profit and loss statement				
– Derivative instruments held for trade: Currency options	–	6,924	–	6,924
– Additional purchase sum	–	–	22,500	22,500
Sum assets	**–**	**6,924**	**22,500**	**29,424**
Liabilities				
Financial liabilities valued at real value via the profit and loss statement				
– Derivative instruments held for trade: Currency options	–	75,396	–	75,396
Sum liabilities	**–**	**75,396**	**–**	**75,396**

The real value of financial instruments traded on an active market is based on quoted market prices on the balance sheet date. A market is regarded as active if quoted prices from a stock exchange, stockbroker, broker, industry group, pricing service or monitoring authority are easily and regularly available and these prices represent real and regularly occurring market transactions at arm's length. The quoted market price used for the group's financial assets is the current buying rate. The group has no financial instruments classified in Level 1.

The real value of financial instruments not traded on an active market (e.g. OTC derivatives) is determined using valuation techniques. As far as possible, this uses market information where available, while company-specific information is used as little as possible. If all significant input data required for valuing the real value of an instrument is observable, the instrument is in Level 2. The group's financial instruments found in Level 2 consist of currency options.

Where one or more pieces of significant input data are not based on observable market information, the instrument concerned is classified in Level 3. The following table shows changes in real value for Financial assets than can be sold:

	31/12/2016	31/12/2015
Opening balance	22,500	239,000
Received remuneration, derecognition from Level 3	–22,500	–239,000
Profits and losses reported in the profit and loss statement	5,000	22,500
Closing balance	**5,000**	**22,500**

The real value in the table is based on forecasts from the net income of fixed income upon the sale of newly produced tenant-owner apartments (for a tenant-owner association), against contracting costs in the construction projects. Project forecasts are largely based on fixed income and on expenses, which minimizes the margin of error to their outcome.

Notes

Note 4 Important estimates and assessments

Estimates and assessments are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing conditions.

Important estimates and assessments for accounting purposes
The group makes estimates and assumptions about the future. The estimates for accounting purposes resulting from these will, by definition, rarely correspond to the real outcome. The main features of estimates and assumptions that entail a considerable risk of significant adjustments in the reported values of assets and liabilities in the next financial year are discussed below.

Valuation of participations in group companies
When assessing the value of participations in the subsidiary, forecasted cash flows for each of the subsidiaries are used. As the valuation is based on the company management's best estimate of the present value and future cash flows, there is a risk that unforeseen circumstances might in the future give rise to adjustments to the item's reported values.

Valuation of buildings held for investment purposes
Buildings held for investment purposes are to be reported at real value, which is determined by the company management based on the market value of the properties. Significant assessments have thus been made regarding factors such as cost of capital and yield requirements, which are based on the valuers' assessments derived from their experience of the market's return requirements for comparable properties. Assessments of the cash flow for operating, maintenance and administration costs are based on actual costs but also experience of comparable properties. Future investments have been assessed based on the actual needs that exist. Note 21 Change in value buildings held for investment purposes contains more detailed information on assessments and assumptions in general.

Valuation of Other long-term receivables
After the first occasion of reporting, long-term receivables are to be valued at accrued acquisition value. On every balance sheet date, the company makes an assessment of whether there is an indication of write-down requirement individually for each receivable. Indications that indicate a write-down requirement can include a change in the repayment capacity. When write-down takes place, this is reported in the profit and loss statement.

Delimitation between operating acquisitions and asset acquisitions
When a company is acquired, it constitutes either an acquisition of operations or an acquisition of assets. It is an acquisition of assets if the acquisition relates to real estate, with or without a rental contract, but does not include the organization and the processes required to conduct administration operations. Other acquisitions are operating acquisitions. For each individual acquisition, the company management assesses which criteria are met. In 2016 and 2015, the assessment is that only asset acquisitions have been made.

Valuation of deficit deductions
Every year, the group examines whether there is a write-down requirement for deferred tax receivables regarding deficit deductions for tax purposes. Besides this, the group examines whether it applicable to capitalize new deferred tax receivables regarding the year's deficit deductions for tax purposes. A deferred tax receivable is only reported for deficit deductions for which it is probable that they can be used against future taxable surpluses and against taxable temporary differences

Note 5 Segment information

Groupwide information
A breakdown of the income from all products and services is as follows:

	2016	2015
Analysis of income per income type:		
– Sale of goods	7,948	8
– Income from real estate	45,918	42,085
– Income from services	2,515	16,907
Sum	**56,381**	**58,999**

The group is based in Sweden. The income from external customers in Sweden amounts to SEK 44,203 thousand (SEK 38,887 thousand), and the sum of income from external customers in other countries amounts to SEK 12,178 thousand (SEK 20,112 thousand).

The sum of fixed assets, other than financial instruments and deferred tax receivables (there are no assets in connection with benefits after concluded employment or rights according to insurance contracts) that are located in Sweden amounts to SEK 39,544 thousand (SEK 50,701 thousand), and the sum of such fixed assets located in other countries amounts to SEK 32,201 thousand (SEK 681,536 thousand).

Income of approximately SEK 7,942 thousand (SEK 0 thousand) relates to biogas income from Independent Electricity System Operator, Ontario, Canada, and income of approximately SEK 3,711 thousand (SEK 4,183 thousand) relates to income from Ajax Textile Corp., Ontario, Canada. This income derives from rent for premises.

Notes

Note 6 Distribution of net turnover

The distribution of net turnover by type of income is as follows:

Group	2016	2015
Sale of goods	7,942	8
Income from real estate	8,923	42,085
Sale of services	938	1,501
Group total	**17,803**	**43,594**

Parent company	2016	2015
Sale of services	1,943	1,897
Real estate rent	–	–
Parent company total	**1,943**	**1,897**

Note 7 Parent company’s sales to and purchases from group companies

During the year, the parent company has invoiced its subsidiaries for SEK 1,234 thousand (SEK 587 thousand) for groupwide services. The parent company has purchased services from group companies amounting to SEK 100 thousand (SEK 100 thousand) regarding management fees to the company's owners.

Note 8 Remuneration to the auditors

Group	2016	2015
PwC		
Audit assignment	1,182	1,456
Auditing activities in addition to the audit assignment	53	53
Tax consultancy	9	330
Other services	29	604
Group total	**1,273**	**2,443**

Parent company	2016	2015
PwC		
Audit assignment	850	830
Auditing activities in addition to the audit assignment	53	53
Tax consultancy	9	89
Other services	12	604
Group total	**924**	**1,576**

Notes

Note 9 Remuneration to employees, etc.

Group	2016	2015
Salaries and other remuneration	11,256	27,781
Social security contributions	3,463	3,839
Pension expenses – defined contribution plans	1,620	1,695
Group total	**16,339**	**33,315**

Salaries and other remuneration and social security expenses	2016	2015		
	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension expenses)	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension expenses)
Board members, CEO and other senior positions	3,606	1,293 (160)	5,889	1,207 (119)
Other employees	7,650	2,170 (213)	21,892	2,632 (111)
Group total	**11,256**	**3,463 (373)**	**27,782**	**3,839 (230)**

Gender distribution in the parent company for board members and other senior positions. The CEO and Vice CEO in the parent company are also part of the board of the subsidiaries. Board members are counted once per person.

	2016	2015	2015	2015
	Number on the balance sheet date	Of which women	Number on the balance sheet date	Of which women
Board members	4	1	4	1
CEO and other senior positions	2	1	2	1
Group total	**6**	**1**	**6**	**1**

Parent company	2016	2015
Salaries and other remuneration	6,521	6,952
Social security contributions	2,283	2,371
Pension expenses – defined contribution plans	1,017	947
Parent company total	**9,821**	**10,270**

Salaries and other remuneration and social security expenses	2016	2016	2015	2015
	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension expenses)	Salaries and other remuneration (of which bonus)	Social security contributions (of which pension expenses)
Board members, CEOs and other senior positions	3,264	1,168 (143)	3,043	1,075 (119)
Other employees	3,257	1,115 (103)	3,909	1,296 (167)
Parent company total	**6,521**	**2,283 (246)**	**6,952**	**2,371 (286)**

Average number of employees with geographical breakdown by country	2016	2016	2015	2015
	Average number of employees	Of which women	Average number of employees	Of which women
Sweden	7	5	7	5
Sum parent companies	**7**	**5**	**7**	**5**
Subsidiaries				
Sweden	8	1	3	1
United States	–	–	–	–
Canada	15	2	25	3
Sum subsidiaries	**23**	**3**	**28**	**4**
Group total	**30**	**8**	**35**	**9**

Notes

Gender distribution for the Board and other senior positions in the parent company	2016 Number on the balance sheet date	2016 Of which men	2015 Number on the balance sheet date	2015 Of which men
Board members	3	3	3	3
CEO and other senior positions	2	1	2	1
Parent company total	**5**	**4**	**5**	**4**

Remuneration and other benefits

Guidelines
A fee to the chair and members of the Board is payable according to the annual general meeting's decision.

Remuneration to the CEO and other senior positions consists of basic salary. Other senior positions refers to those persons who together with the CEO constitute the group management. Other benefits to the CEO and other senior positions are payable as part of the total remuneration. No variable remuneration to employees is payable.

Terms for the CEO and other senior positions
No severance pay is payable to the company's CEO and other senior positions. Notice of termination is 3 months.

Pensions
For employees in the group who are entitled to a pension according to their employment contracts, Index pays pension premiums for the employees according to a fixed percentage plan. The percentage plan is divided as follows:

– 4.8 % of salary up to 7.5 basic amounts
– 31.6 % of salary over 7.5 basic amounts

Index has an agreement with an insurance and pension advisory company whereby employees can themselves choose how their pension premiums are to be invested.

Remuneration to other senior positions
Of the company's salaries and remuneration, SEK 1,271 thousand (SEK 1,378 thousand) relates to the CEO and SEK 300 thousand (SEK 200 thousand) to the Board.

Remuneration and other benefits 2016	Basic salary/ Board fee	Pension expense	Sum
CEO Rickard Haraldsson	1,271	255	1,526
Vice CEO Marie-Louise Alamaa	1,220	238	1,458
Board member Brian Borg	*75*	–	*75*
Board member Arne Weinz	*225*	–	*225*
Other senior positions (1 person)	815	166	981
SUM	**3,606**	**659**	**4,265**

Notes

Remuneration and other benefits 2015	Basic salary/ Board fee	Pension expense	Sum
CEO Rickard Haraldsson	1,378	254	1,632
CEO United States Bjarne Borg	2,095		2,095
Vice CEO Marie-Louise Alamaa	1,320	237	1,557
Board member Brian Borg	75	–	75
Board member Arne Weinz	125	–	125
Other senior positions (2 persons)	752	12	764
Sum	**5,745**	**503**	**6,248**

Note 10 Other operating income

	Group	
Other operating income	**2016**	**2015**
Sale of fixed assets	36,255	–
Insurance compensation	–	6
Canceled write-down inventories	–	2,431
Management fee	1,663	12,564
Other	661	404
Sum other operating income	**38,579**	**15,405**

Note 11 Result from participations in group companies

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Divestment of participations	191,338	8,459	11,834	12,159
Write-down of participations	–	–	–	–220,333
Sum result from participations in group companies	**191,338**	**8,459**	**11,834**	**–208,174**

The group's cash flow statement reports Sale of participations in group companies at SEK –135,159 thousand. The amount mainly derives from divestment of subsidiaries with liquid assets. Index Energy Mill Road's liquid assets were SEK 144,254 thousand, Index Assurance's liquid assets were SEK 34,952 thousand, and the liquid assets of Fastighets AB Bryggårdsgärdet with subsidiaries were SEK 18,804 thousand. In addition, the group has received liquid remuneration for the divestment of Dalringen Förvaltnings AB and Fastighets AB Kalmarsand.

Note 12 Result from participations in associated companies

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Write-down of participations in associated companies	–	–	–	–
Profit/loss in the sale of associated companies	10,700	–	–	–
Result from proportion of equity in associated companies and joint ventures	5,220	31,821	28,200	244,300
Sum result from participations in associated companies ventures	**15,920**	**31,821**	**28,200**	**244,300 and joint**

The group's cash flow statement reports Sale of participations in group companies at SEK –135,159 thousand. The amount mainly derives from divestment of subsidiaries with liquid assets. Index Energy Mill Road's liquid assets were SEK 144,254 thousand, Index Assurance's liquid assets were SEK 34,952 thousand, and the liquid assets of Fastighets AB Bryggårdsgärdet with subsidiaries were SEK 18,804 thousand. In addition, the group has received liquid remuneration for the divestment of Dalringen Förvaltnings AB and Fastighets AB Kalmarsand.

Notes

Note 13 Result from other security papers and receivables that are fixed assets

	Parent company	
	2016	**2015**
Exchange rate difference long-term receivables	102,471	–1,311
Write-down of receivable	–	–810
Cancellation of write-down of receivable	1,724	–
Sum result from other security papers and receivables that are fixed assets	**104,195**	**–2,121**

Note 14 Financial income and expenses/ Interest income and interest expenses

	Group		Parent company	
Financial income/Interest income	**2016**	**2015**	**2016**	**2015**
Interest income on bank deposits	–	435	–	–
Interest income on lending	123,696	61,487	135,344	113,972
Exchange rate effect on short-term receivables	43,999	71,689	24,548	36,933
Exchange rate effects on long-term receivables	114,230	81,849	–	–
Result from derivative instruments	13,551	14,151	13,551	14,151
Change in the real value of derivative instruments – currency options	–	4,148	–	4,148
Cancellation of write-down of receivable	1,724			
Sum financial income/interest income	**297,200**	**233,759**	**173,443**	**169,204**

	Group		Parent company	
Financial expenses/Interest expenses	**2016**	**2015**	**2016**	**2015**
Interest expenses on liabilities to owners	–2,611	–7,080	–1,557	–6,034
Interest expenses on liabilities to group	–	–	–9,401	–16,989
Interest expenses on bond loans	–26,760	–26,741	–26,760	–26,741
Interest expenses other	–34,182	–21,605	–6,803	–591
Exchange rate effect on short-term receivables	–38,562	–68,965	–31,401	–40,213
Exchange rate effect on long-term receivables	–16,486	–75,815	–	–
Result from derivative instruments	–	–4,342	–	–4,342
Change in the real value of derivative instruments – currency options	–42,696	–62,029	–42,696	–
Write-down of receivables	–	–810	–	–
Other financial expenses	–	–	–	–
Sum financial expenses/interest expenses	**–161,297**	**–267,387**	**–118,618**	**–94,910**
Sum financial items, net	**135,903**	**–33,628**	**54,825**	**74,294**

Note 15 Holdings in associated companies

Group	**2016**	**2015**
Opening acquisition values	800	10,967
Purchase/shareholder contribution	16,792	620
Re-classifications	–	–10,787
Closing accumulated acquisition values	**17,592**	**800**

Opening change in proportion of equity	–49	1,593
Cancellation of change in proportion of equity	49	–1,622
Change in proportion of equity in associated companies	3,514	–20
Closing change in proportion of equity	**3,514**	**–49**
Closing reported value	**21,106**	**751**

Notes

Below are the associated companies that the Board considers to be significant to the group as of 31 December 2016. The associated companies stated below have share capital consisting solely of ordinary shares which are owned directly by the group. The countries where these associated companies have been formed or registered are also the countries in which they conduct their main operations. The nature of holdings in associated companies in 2015 and 2016:

Name	Country of registration	Assets	Liabilities	Income	Profit/loss	Participating interest %
2016						
Playce AB	Sweden	8,400	2,873	–	–34	33 %
Berinne Index Holding AB	Sweden	47,939	47,942	–	–54	50 %
Odalen Fastigheter AB	Sweden	42,031	45	832	–338	20 %
Nokon Bostad AB	Sweden	23,229	16,312	–1,258	5,866	33 %
		121,599	**67,172**	**–426**	**5,440**	

Name	Country of registration	Assets	Liabilities	Income	Profit/loss	Participating interest %
2015						
Playce AB	Sweden	4,237	1,985	–	–118	33 %
		4,237	**1,985**	**–**	**–118**	

Note 16 Holdings in joint ventures

	2016	2015
Opening acquisition values	1,533	11,836
Purchase/shareholder contribution	1,125	–10,500
Re-classifications	–	197
Closing accumulated acquisition values	**2,658**	**1,533**
Opening change in proportion of equity	1,408	437
Change in proportion of equity in associated companies	2,330	971
Closing change in proportion of equity	**3,738**	**1,408**
Closing reported value	**6,396**	**2,941**

The group has holdings of 50 % in Fröjden AB, Västermalms Strand Holding AB and Arkensvik AB, which constitute holdings in joint ventures. The following total items are associated holdings in joint ventures;

Name	Fixed assets	Current assets	Short-term liabilities	Long-term liabilities	Income	Expenses	Participating interest %
2016							
Fröjden AB	443	21,184	4,124	–	2,071	–2,246	50 %
Västermalms Strand Holding AB	–	4,692	125	–	1,958	–1,565	50 %
Arkensvik AB	249,377	28,292	24,561	248,849	–	–1,877	50 %
Sum	**249,820**	**54,168**	**28,810**	**248,849**	**4,029**	**–5,688**	

Name	Fixed assets	Current assets	Short-term liabilities	Long-term liabilities	Income	Expenses	Participating interest %
2015							
Fröjden AB	443	63,815	13,959	–	57,412	–10,275	50 %
Västermalms Strand Holding AB	–	12,739	219	13,122	2,559	–3,734	50 %
Sum	**443**	**76,554**	**14,178**	**13,122**	**59,971**	**–14,009**	

There are no contingent liabilities deriving from the group's interest in these joint ventures.

Notes

Note 17 Appropriations

	Parent company	
	2016	**2015**
Change tax allocation reserve	–41,300	–17,700
Received/issued group contributions	–7,510	28,396
Sum	**48,810**	**10,696**

Note 18 Income tax / Tax on profit/loss for the year

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Current tax:				
Current tax on profit/loss for the year	–27,550	–13,394	–27,550	–11,868
Tax attributable to previous year	269	–3,735	242	–1,689
Sum current tax	**–27,281**	**–17,129**	**–27,308**	**–13,557**
Deferred tax (see Note 24)	5,242	93,098	–	–
Sum deferred tax	**5,242**	**93,098**	**–**	**–**
Income tax	**–22,039**	**75,969**	**–27,308**	**–13,557**

The income tax on the profit/loss differs from the theoretical amount that would have arisen with the use of an effective tax rate for the profit/loss of the consolidated companies as follows:

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Profit/loss before tax	298,569	–17,420	170,096	81,742
Income tax calculated in accordance with national tax rates applicable for profit/loss in each country	–51,857	7,134	–37,421	–17,983
Tax effects of:				
• Non-taxable income	61,607	274,048	12,256	58,751
• Non-deductible expenses	–38,009	–171,998	–11,243	–56,530
• Provision for tax allocation reserve	–	–	8,858	3,894
• Tax deficits for which no deferred tax receivable has been reported	–949	–30,828	–	–
• Utilization of deficits not previously reported	6,900	1,348	–	–
• Tax attributable to previous year	269	–3,735	242	–1,689
Tax expense	**–22,039**	**75,969**	**–27,308**	**–13,557**

Weighted tax rate for the Group is 17.4 % (40.9 %) and the Parent company is 22.0 % (22.0 %).

Note 19 Exchange rate differences

Exchange rate differences have been reported in the profit and loss statement as follows:

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Financial items, net	103,181	8,758	95,619	–4,591
Sum exchange rate differences in the profit and loss statement	**103,181**	**8,758**	**95,619**	**–4,591**

Notes

Note 20 Intangible assets

Group	Concessions	Capitalized development expenses	Sum
Financial year 2016			
Opening reported value	10,323	277	10,600
Purchase/processing	–	1,839	1,839
Depreciation	–	–409	–409
Divestments	–10,323	–	–10,323
Closing reported value	**–**	**1,707**	**1,707**
As of 31 December 2016			
Acquisition value	13,764	2,121	15,885
Accumulated depreciation	–3,441	–414	–3,855
Divestment	–10,323	–	–10,323
Closing reported value	**–**	**1,707**	**1,707**
Financial year 2015			
Opening reported value	11,011	–	11,011
Purchase/processing	–	282	281
Depreciation	–688	–5	–693
Closing reported value	**10,323**	**277**	**10,600**
As of 31 December 2015			
Acquisition value	13,764	18,933	32,697
Accumulated depreciation	–3,441	–14,863	–18,304
Divestment/Cancellation		–3,793	–3,793
Closing reported value	**10,323**	**277**	**10,600**
Parent Company			
Financial year 2016			
Opening reported value	–	–	–
Purchase/processing	–	244	244
Depreciation	–	–37	–37
Closing reported value	**–**	**207**	**207**
As of 1 January 2016			
Acquisition value	–	244	244
Accumulated depreciation	–	–37	–37
Closing reported value	**–**	**207**	**207**

Notes

Note 21 Buildings held for investment purposes

Group	
Financial year 2016	
Opening reported value	77,209
Fixed assets held for sale	
Re-classification	3,428
Adjustment real value buildings held for investment purposes	–
Divestment	–48,030
Closing reported value as of 31 December 2016	**32,607**

Financial year 2015	
Opening reported value	461,742
Investments in existing properties	48,436
Fixed assets held for sale	11,000
Re-classification	–3,174
Adjustment real value buildings held for investment purposes	–9,795
Divestment	–431,000
Closing reported value as of 31 December 2015	**77,209**

Reported amounts in the profit and loss statement regarding buildings held for investment purposes:

	2016	**2015**
Rental income	3,889	4,355
Direct expenses for the buildings held for investment purposes that have generated rental income	–374	–1,044
Direct expenses for the buildings held for investment purposes that have not generated rental income	–468	–113
Change in real value reported in other income	**–**	**1,205**

Leasing agreements

Some of the buildings held for investment purposes are leased to tenants under long-term operational leasing agreements with monthly rent payments.

Real values of buildings held for investment purposes

Index Residence AB (publ) reports its properties at real value in the balance sheet, which corresponds to the market value of the properties. Changes in the market value are reported as a change in value in the profit and loss statement. Real value is determined, at year-end 2016, based on internal valuation or received bids on properties.

The calculation of real value is made for each individual property. Either through a 10-year cash flow model or through a comparative analysis of similar objects in the area. The most significant variables that are decisive for the calculated real value in the model are the yield requirement and assessed real growth, i.e. inflation assumptions. Other important variables are operating net and the long-term vacancy level. The basis for determining yield includes the market's risk rate for real estate investments at any given time. This is based on a number of factors such as market interest rates. Debt/equity ratio, inflation expectations and yield requirements on invested capital. But property-specific conditions also affect the yield requirement. The yield requirement is the property's operating net placed in relation to the real value.

The level of annual future inflation is assessed to be 2 per cent. The discount rate used is the determined yield rate, with the addition of annual inflation.

Discount rate at valuation, 31/12/2016, %	
– Ajax, Durham, Ontario	10.0

Ajax, Durham, Ontario	
– Yield requirement residual value	8.7 %
– Operating and maintenance costs year 1	SEK 11/m^2
– Market-price rent	SEK 276/m^2

Operating net is the difference between property income and operating and maintenance costs (property expenses before property administration). The starting point is the current forecast for operating net based on last year's outcome. The income and/or operating and maintenance costs for an individual year might, however, be affected by factors that do not commonly occur during the long-term life of the property. If this were to be the case for current forecast values, a normalization of the individual year's amount is made.

Notes

The cash flow for operating, maintenance and administration costs is based on actual costs and experience of comparable objects. Operating net is the difference between property income and operating and maintenance costs (property expenses before property administration). Investments have been assessed based on the needs that exist.

When all variables are determined based on the above description, a calculation is made of the present value of the operating net for the coming 10 years in the cash flow model. In addition, the present value of the residual value based on the 10th year's operating net is calculated in this model. After this, there is a possible adjustment for the value of ongoing projects and land with unutilized building rights.

The revaluation, after deducting deferred tax, was reported in the profit and loss statement's item "Change in value buildings held for investment purposes".

All valuations of real value for buildings held for investment purposes have been made using significant non-observable input data (Level 3). There has been no change of valuation method between the periods, and thus no transfer between the real value levels. For an explanation of real value levels, see Note 3.3.

Sensitivity analysis

The parameters that significantly affect the value of a property are the discount rate and the rental value. The discount rate includes assumptions such as interest rate, debt/equity ratio, inflation assumptions, yield requirements on invested capital, property location , tenant structure, etc. The rental value reflects the market image of what the tenants are willing to pay for real estate space. To illustrate how a change of –1 per cent for these parameters affects the calculated real value, the following sensitivity analysis can be made:

Change in 2016	***+1 %***	***–1 %***
Discount rate, SEK thousands	–3,015	3,675
Rental value, SEK thousands	26	–26

Note 22 Tangible fixed assets

Group	Land and buildings	Equipment, tools, fixtures and fittings	Construction in progress	Sum
Financial year 2016				
Opening reported value	–	2,129	642,298	644,427
Purchase		4,230	–	4,230
Sales and disposals	–	–917	–642,298	–643,215
Translation differences		–4	–	–4
Depreciation		–509		–509
Closing reported value	**–**	**4,929**	**–**	**4,929**
As of 31 December 2016				
Acquisition value	–	10,719	642,298	653,017
Accumulated depreciation	–	–5,791	–642,298	–648,089
Reported value	**–**	**4,929**	**–**	**4,929**
Financial year 2015				
Opening reported value	7,252	2,984	650,675	846,354
Purchase	–	74	72,521	72,595
Sales and disposals	–28	–346	–3,823	–4,197
Re-classifications	–7,224	–	–2,226	–194,893
Translation differences	–	–	–74,849	–74,867
Depreciation	–	–566	–	–566
Closing reported value	**–**	**2,129**	**642,298**	**644,427**
As of 31 December 2015				
Acquisition value	3,272	7,410	642,298	649,714
Accumulated depreciation	–3,272	–5,282	–	–5,288
Reported value	**–**	**2,129**	**642,298**	**644,427**

Notes

In 2016, the group has sold the subsidiary Index Energy Mill Road Corp., which has Construction in progress consisting of investments in a biogas plant in Canada. During the year, the group has capitalized loan expenses of SEK 0 thousand (SEK 13,835 thousand) on qualified assets in the form of construction in progress. Capitalized interest was determined using interest attributable to borrowing taken directly for investment in a qualified asset.

	Equipment, tools, fixtures and fittings	Sum Parent company
Financial year 2016		
Opening reported value	823	823
Purchase	–	–
Depreciation	–66	–66
Closing reported value	**757**	**757**
As of 31 December 2016		
Acquisition value	1,762	1,780
Accumulated depreciation	–1,005	–1,005
Reported value	**757**	**757**
Financial year 2015		
Opening reported value	880	880
Purchase	14	14
Depreciation	–70	–70
Closing reported value	**824**	**824**
As of 31 December 2015		
Acquisition value	1,763	1,763
Accumulated depreciation	–939	–939
Reported value	**824**	**824**

Note 23 Other long-term receivables

Group	31/12/2016	31/12/2015
Blocked liquid assets	–	61,946
Promissory note to the Index Equity Sweden group	850,338	193,382
Promissory note to the Index Enterprise group	659,083	650,092
Promissory note to others	29,234	86,494
Group total	**1,538,655**	**991,914**

Parent company	31/12/2016	31/12/2015
Promissory note to the Index Equity group	694,715	193,382
Promissory note to the Index Enterprise group	725,224	598,370
Promissory note to others	540	541
Parent company total	**1,420,479**	**792,293**

Reported value for Other long-term receivables correspond to real value.
The group has no pledged assets to related parties.

Notes

Note 24 Deferred tax

	Group		Parent company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Deferred tax expense regarding temporary differences	–12,942	–8,308	–	–
Deferred tax income regarding temporary differences	18,184	101,406	–	–
Sum deferred tax in the Profit and loss statement	**5,242**	**93,098**	**–**	**–**

Deferred tax receivables and tax liabilities are allocated as follows:	Group	
Deferred tax liabilities	**31/12/2016**	**31/12/2015**
Deferred tax liabilities to be utilized after more than 12 months	–19,035	–67,709
Deferred tax liabilities to be utilized within 12 months.	–45,638	–5,388
Sum deferred tax liabilities	**–64,673**	**–73,097**
Deferred tax liabilities/receivables (net)	**–64,673**	**–73,097**

Deferred tax liabilities include SEK 16,830 thousand attributable to provision for tax allocation reserve, and SEK 44,538 thousand has arisen as a result of the acquisition of shares in subsidiaries where the surplus value of the acquisition derives from land on the real estate in Norrtälje Harbor. Change in deferred tax receivables and liabilities during the year, which have been reported in the profit and loss statement, without regard to offsets made within the same tax jurisdiction, is stated below:

Deferred tax liabilities	Temporary differences real estate	Real value buildings held for investment purposes	Other	Sum
1 January 2015	93,863	16,823	4,751	115,437
Reported in the profit and loss statement	–84,300	–12,387	2,685	–94,002
Reported directly in equity	51,055		607	51,662
31 December 2015	**60,618**	**4,436**	**8,043**	**73,097**
Reported in the profit and loss statement	–11,798	–3,827	10,383	5,242
Reported directly in equity	–3,182	–	–	–3,182
31 December 2016	**45,638**	**609**	**18,426**	**64,673**

Deferred tax receivables	Deficit deductions	Other	Sum
1 January 2015	604	300	904
Reported in the profit and loss statement	604	–300	–904
31 December 2015	**–**	**–**	**–**
Reported in the profit and loss statement	–	–	–
31 December 2016	**–**	**–**	**–**

Deferred tax receivables are reported for deficit deductions for tax purposes to the extent that it is probable that they can be credited through future taxable profits. The group did not report deferred tax receivables amounting to SEK 710 thousand (SEK 33,846 thousand), regarding losses amounting to SEK 3,088 thousand (SEK 127,721 thousand), which can be utilized against future taxable profit. The deficits derive from the group's operations in the United States and Canada not being due at any given time.

Notes

Note 25 Participations in group companies

Parent company	31/12/2016	31/12/2015
Opening acquisition value	392,009	361,059
Acquisitions	150	8
Shareholder contributions	102,300	31,283
Divestment	–249,569	–341
Closing accumulated acquisition value	**244,890**	**392,009**
Opening write-downs	–333,077	–112,744
Write-downs for the year		–220,333
Divestment	242,979	
Closing accumulated write-downs	**–90,098**	**–333,077**
Closing reported value	**154,792**	**58,932**

Parent company holds shares in the following subsidiaries:

Name	Corporate ID number	Headquarters	Proportion of equity	Number of shares	Reported value 31/12/2016	Reported value 31/12/2015
Djurgårdsbrunns Tennis AB	556708-0204	Stockholm	100 %	1,000	100	100
Opalo Holding AB	556697-2906	Stockholm	100 %	1,000	123,136	20,836
Index Asset Management AB	556711-6586	Stockholm	100 %	1,000	122	122
Hornsbergs Intressenter AB	556717-7885	Stockholm	100 %	1,000	100	–
Index Housing Holding AB	559051-9350	Stockholm	100 %	500	50	–
Index International US Holding		United States	100 %	1,000	31,284	31,283
Textile Real Estate Corp		Canada	100 %	100	–	–
Index Waste Management Corp		Canada	100 %	100	–	–
Index Environmental Corp		Canada	70 %	700	–	–
Index Development Canada Corp		Canada	100 %	100	–	–
Sum					**154,792**	**52,341**

Note 26 Financial instruments by category

Group Assets in the balance sheet	Assets valued at real value via the profit and loss statement	Loan receivables and accounts receivable	Sum
31 December 2016			
Additional purchase sum	5,000	–	5,000
Receivables from associated companies and joint ventures	–	89,935	89,935
Other long-term receivables	–	1,538,655	1,538,655
Security papers	85,649	–	85,649
Accounts receivable	–	8,808	8,808
Other receivables	–	20,779	20,779
Derivative instruments	3,410	–	3,410
Liquid assets	–	53,100	53,100
Sum	**94,059**	**1,711,277**	**1,805,336**

Notes

31 December 2015			
Additional purchase sum	22,500	–	22,500
Other long-term receivables, see Note 23	–	991,914	991,914
Security papers	56,888	–	56,888
Accounts receivable	–	10,358	10,358
Other receivables	–	44,100	44,100
Derivative instruments	6,924	–	6,924
Liquid assets	–	186,407	186,407
Sum	**86,312**	**1,232,779**	**1,319,091**

Group **Liabilities in the balance sheet**	**Liabilities valued at real value via the profit and loss statement**	**Other financial liabilities**	**Sum**
31 December 2016			
Borrowing	–	59,546	59,546
Bond loans	–	371,980	371,980
Other long-term liabilities	–	84,233	84,223
Accounts payable	–	11,783	11,783
Liabilities to associated companies	–	–	–
Derivative instruments	52,549	–	52,549
Other liabilities	–	65,655	65,655
Sum	**52,549**	**593,197**	**645,746**
31 December 2015			
Borrowing	–	392,604	392,604
Bond loans	–	369,909	369,909
Other long-term liabilities	–	119,128	119,128
Accounts payable	–	77,515	77,515
Liabilities to associated companies	–	–	–
Derivative instruments	75,396	–	75,396
Other liabilities	–	86,241	86,241
Sum	**75,396**	**1,045,397**	**1,120,793**

Parent company **Assets in the balance sheet**	**Loan receivables and accounts receivable**
31 December 2016	
Long-term receivables from group companies	77,101
Receivables from associated companies and joint ventures	4,047
Other long-term receivables, see Note 23	1,420,479
Accounts receivable	1,761
Short-term receivables from group companies	112,275
Other receivables	8,205
Cash and bank balances	39,752
Sum	**1,663,620**
31 December 2015	
Long-term receivables from group companies	722,548
Receivables from associated companies and joint ventures	–
Other long-term receivables	792,293
Accounts receivable	1,487
Short-term receivables from group companies	89,478
Other receivables	4,387
Cash and bank balances	42,828
Sum	**1,653,021**

Notes

Loans to Parent company Liabilities in the balance sheet	Other financial liabilities
31 December 2016	
Bond loans	371,980
Long-term liabilities to group companies	660,653
Liabilities to associated companies	–
Accounts payable	1,802
Short-term liabilities to group companies	12,442
Other liabilities	20,950
Sum	**1,067,827**

31 December 2015	
Bond loans	369,909
Long-term liabilities to group companies	661,968
Liabilities to associated companies	–
Accounts payable	949
Short-term liabilities to group companies	31,459
Other liabilities	42,808
Sum	**1,107,093**

Note 27 Derivative instruments

	31/12/2016		31/12/2015	
Group	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest swap	–	9,413	–	73,986
Currency options	3,410	43,136	6,924	1,410
	3,410	**52,549**	**6,924**	**75,396**
Current portion	**3,410**	**43,136**	**6,924**	**1,410**

The derivative instruments are classified as current assets or short-term liabilities where the life of the derivative instruments is less than 12 months.

Interest swaps
The nominal amount of the outstanding interest swap amounted to SEK 375,000 thousand as of 31 December 2016.
Profits and losses on currency option have been reported in the net financial income and expenses (Note 14).

Note 28 Accounts receivable

Group	31/12/2016	31/12/2015
Accounts receivable	9,289	10,358
Reserves for doubtful receivables	–481	–
Accounts receivable, net	**8,808**	**10,358**

Notes

Group	31/12/2016	31/12/2015
SEK	2,395	2,240
USD		1,671
CAD	6,413	6,447
Accounts receivable – per currency	**8,808**	**10,358**

The age analysis of these accounts receivable is stated below:

	31/12/2016	31/12/2015
1–30 days	2,503	7,452
31–60 days	310	496
> 61 days	5,995	2,410
Sum due accounts receivable	**8,808**	**10,358**

Changes in the reserve for doubtful accounts receivable are as follows:

	31/12/2016	31/12/2015
As of 1 January	0	–173
Reserves for doubtful receivables	–550	–460
Receivables that have been derecognized during the year as non-recoverable	–	633
Canceled unutilized amounts	69	
As of 31 December	**–481**	**–**

Provisions for the respective cancellations of reserves for doubtful accounts receivable are included in the item other external costs in the profit and loss statement. There are no securities or other guarantees for the outstanding accounts receivable on the balance sheet date.

Note 29 Other receivables

Group	31/12/2016	31/12/2015
Promissory note receivables	18,006	41,040
Deposit	–	631
Other receivables	2,773	2,429
Group total	**20,779**	**44,100**

Parent company	31/12/2016	31/12/2015
Promissory note receivables	7,167	3,310
Other receivables	1,038	1,077
Parent company total	**8,205**	**4,387**

Note 30 Inventories

	31/12/2016	31/12/2015
Buildings held for sale	223,200	242,372
Raw materials and necessities	–	137
Inventory of security papers	85,649	56,751
Sum	**308,849**	**299,260**

The inventory of security papers is valued at real value. Write-down of security papers that has been reported as an expense in the profit and loss statement is SEK 14,950 thousand (SEK 0 thousand).

Notes

Note 31 Prepaid expenses and accrued income

Group	31/12/2016	31/12/2015
Prepaid insurance premiums	185	140
Prepaid rental expense	410	–
Prepaid sponsor's agreements	2,080	2,080
Deposit accounts	–	3,675
Other prepaid expenses	316	1,208
Other accrued income	1	204
Group total	**2,992**	**7,307**

Parent company	31/12/2016	31/12/2015
Prepaid insurance premiums	97	129
Prepaid sponsor's agreements	2,080	2,080
Other prepaid expenses	176	269
Other accrued income	–	–
Parent company total	**2,353**	**2,478**

Note 32 Liquid assets/Cash and bank balances

Group	31/12/2016	31/12/2015
Bank deposits	53,110	186,407
Group Total	**53,110**	**186,407**

Parent company	31/12/2016	31/12/2015
Bank deposits	39,752	42,828
Total	**39,752**	**42,828**

Group	31/12/2016	31/12/2015
Blocked liquid assets	–	61,946
Total	**–**	**61,946**

Note 33 Fixed assets held for sale

The assets and liabilities deriving from the properties Gunnebo 1:109 and 1:110 were reported in 2015 as holdings for sale after approval by group management and shareholders. The properties were sold in June 2016.

Assets in divestment group classified as holdings for sale:

	31/12/2016	31/12/2015
Buildings held for investment purposes	–	49,000
Other long-term receivables		
Sum assets	**–**	**49,000**

Notes

Note 34 Share capital and other contributed capital

	Number of shares (thousands)	Share capital
As of 1 January 2015	100,000	10,000,000
A-shares	–	–
B-shares	–	–
As of 31 December 2015	**100,000**	**10,000,000**
A-shares	–	–
B-shares	–	–
31 December 2016	**100,000**	**10,000,000**

The share capital consists of 5,000 A-shares and 95,000 B-shares. The shares have a voting power of 10 votes/A-share and 1 vote/B- share. All shares issued by the parent company are fully paid.

Proposal for appropriation of profits	31/12/2016	31/12/2015
The Board proposes that the profits at disposal:		
Capitalized profits	498,618,258	447,736,574
Fund for development expenses	–207,060	–
Profit/loss for the year	93,978,347	78,881,684
be appropriated so that the following be transferred to a new account:	592,389,545	526,618,258

Note 35 Borrowing

Group	31/12/2016	31/12/2015
Long-term		
Bond loans	371,980	369,909
Liabilities to credit institutes	55,661	379,190
Sum long-term borrowing	**427,641**	**749,099**
Short-term		
Liabilities to credit institutes	3,885	13,414
Sum short-term borrowing	3,885	13,414
Sum borrowing	**431,526**	**762,513**

Bond loans

The company bond of SEK 375,000 thousand was issued on 22 May 2014 and has a life up to and including 22 May 2018. The loan is amortization-free and runs with variable interest rates of Stibor 3 months + 7 % paid quarterly. Conditions linked to the bond loan show that the share of equity may not fall below 35 % of total assets. Other terms of the bond include that certain value transfers outside the group or the Index Enterprise LLC group are limiting. However, such value transfers are permitted if the equity/assets ratio is at least 40 % and as long as the total transfers do not exceed the higher amount of SEK 30,000 thousand or 50 % of the group's total profit for the year in the previous financial year. During the year, the group has fulfilled all conditions linked to the bond.

Liabilities to credit institutes of SEK 59,546 thousand (SEK 379,190 thousand) have a life up to and including 01/06/2019 and run with an average interest rate of 6.66 % which is paid quarterly. Decrease of liability to credit institutes from 2015 derives from the divestment of the subsidiary Index Energy Mill Road Corp. At the end of 2015, IEMRC had a liability to the Royal Bank of Canada of SEK 312,364 thousand. Liabilities to credit institutes are conditional to the effect that credit can be terminated with 2 months' notice and that the variable interest rate is determined by credit issuers with respect to the general interest rate. The interest rate can be changed with immediate effect. Pledged assets for liabilities to credit institutes constitute property mortgage.

Notes

Reported amounts and real value of long-term borrowing are as follows:

	Reported value		Real value	
	31/12/2016	**31/12/2015**	**31/12/2016**	**31/12/2015**
Bond loans	371,980	369,909	353,438	341,438
Liabilities to credit institutes	15,661	379,190	15,661	379,190
Sum long-term borrowing Rep	**387,641**	**749,099**	**369,099**	**720,628**

The real value of short-term borrowing corresponds to its reported value as the loans run with variable interest rates and there has been no significant change in the group's own credit risk. Real values of the bond are based on quoted prices (unadjusted) on active markets for identical assets or liabilities and are classified in Level 1 in the real value hierarchy, see Note 3.3.

Note 36 Other long-term liabilities

Group	31/12/2016	31/12/2015
Additional purchase sum, Vassen Fastighets AB	84,233	117,500
Other loans	–	1,608
Other deposits	–	20
Group total	**84,233**	**119,128**

On 5 December 2014, the group acquired 100 % of the share capital in Fastighets AB Insjövassen with the properties Norrtälje Brännäset 8, Norrtälje Brännäster16 and Norrtälje Pråmen 1. The agreed property value and purchase sum is based on the adoption of the detailed development plans for the properties. According to an agreement on an additional purchase sum, the group is to successively pay an additional purchase sum as and when the detailed development plans for the properties gain legal force. The properties have been separated during the year and formed 6 register properties. In November 2016, the detailed development plans for the register properties Silon 1 and Brädgården 1 in Norrtälje gained legal force and the additional purchase sum of a value of SEK 33.3 million has thus been paid.

Note 37 Other liabilities

Group	31/12/2016	31/12/2015
Liability to owners	41,231	60,369
VAT	68	16
Social security contributions and employee withholding taxes	605	667
Deposit	289	3,999
Other loan liabilities	2,890	861
Revers Vassen fast AB	20,000	20,000
Other items	572	329
Group total	**65,655**	**86,241**

Parent company	31/12/2016	31/12/2015
Liability to owners	19,574	41,513
Social security contributions and employee withholding taxes	349	434
Other loan liabilities	1,027	861
Parent company total	**20,950**	**42,808**

Notes

Note 38 Accrued expenses and deferred income

Group	31/12/2016	31/12/2015
Prepaid rental income	–	905
Accrued operating costs	581	811
Holiday pay liability	1,024	1,112
Liability for social security contributions	971	1,361
Accrued constructions costs, IEMRC	–	–
Other accrued expenses	1,399	12,985
Group total	**3,975**	**17,174**

Parent company	31/12/2016	31/12/2015
Accrued operating costs	3,570	3,334
Holiday pay liability	718	530
Liability for social security contributions	702	694
Other accrued expenses	536	4,563
Parent company total	**5,526**	**9,121**

Note 39 Pledged assets

Group	31/12/2016	31/12/2015
Property mortgages	15,975	394,053
Liquid assets	–	61,946
Share pledge	2,409	242
Group total	**18,384**	**456,241**

Parent company	31/12/2016	31/12/2015
Share pledge	1,040	1,040
Parent company total	**1,040**	**1,040**

Property mortgages and share pledges are placed as security for the group's interest-bearing liabilities.

Note 40 Contingent liabilities

Parent company	31/12/2016	31/12/2015
General guarantee commitment for subsidiaries' loans	60,000	60,000
General guarantee commitment for other companies' loans	411,332	557,818
Parent company total	**471,332**	**617,818**

Notes

Note 41 Leasing agreements

Operational leasing
The group holds leasing agreements regarding photocopiers and the rental of office premises. The group intends to continue with its leasing contracts and associated service agreements and, in all probability, existing contracts will be extended at the end of the agreement period. The greatest leasing expense for the group is the rental contract for office rent corresponding to SEK 1,329 thousand (SEK 1,379 thousand) per year.

Future minimum lease fees under non-cancellable operational leasing agreements applicable at the end of the reporting period become due for payment as follows:

Group	31/12/2016	31/12/2015
Within one year	1,612	1,773
Later than one but within five years	2,267	4,155
Later than five years	–	1
Group total	**3,879**	**5,929**

During the financial year, expenses for operational leasing in the group has amounted to SEK 2,003 thousand (SEK 1,771 thousand). Parent company has no leasing agreements.

Operational leasing agreements where a group company is lessor
Future minimum leasing fees deriving from non-cancellable operational leasing agreements are allocated as follows:

Group	31/12/2016	31/12/2015
Within one year	3,327	3,728
Later than one but within five years	12,948	876
Later than five years	8,630	–
Group total	**–**	**4,604**

The company has only one ongoing rental contract. Textile Real Estate LLC is lessor, and the contract runs until 31 August 2024.

Note 42 Remuneration to employees after concluded employment

The group has only defined contribution pension plans. The amounts that have been reported in the profit and loss statement are as follows:

Group	2016	2015
Reporting in the profit and loss statement regarding:		
Expenses for defined contribution pension plans	1,620	1,925
Sum profit and loss statement	**1,620**	**1,925**

Note 43 Other provisions

Group	2016	2015
Guarantee commitment, Hornsberg 10	2,753	3,162
Sum	**2,753**	**3,162**

Parent Company	2016	2015
Derivative instruments – Market value	49,139	6,443
Sum	**49,139**	**6,443**

On 23 September 2015, the group sold 100% of the share capital in Kungsholmen 10 AB including the property Hornsberg 10 for a price of SEK 417,000 thousand. In connection with the sale, the group has a guarantee commitment of an estimated value of SEK 2,753 thousand. These guarantees are set for 4 years and cover rental guarantees for vacant spaces and guarantees for parking spaces.

Notes

Note 44 Other items not affecting liquidity

Group	31/12/2016	31/12/2015
Write-down of receivable	13,227	810
Unrealized change in value short-term investments	42,696	57,881
Unrealized additional purchase sums	–5,000	–19,338
Proportion of equity in associated companies	–5,220	–1,256
Interest income taken up as income	–123,696	–61,922
Expensed interest expenses	63,582	59,768
Other write-downs and exchange rate fluctuations	–96,281	–7,141
Group total	**–110,692**	**28,802**

Parent company	31/12/2016	31/12/2015
Depreciation of intangible and tangible fixed assets	103	70
Profit/loss in the divestment of subsidiaries and associated companies	–	–12,159
Write-down of receivable	–	810
Write-down of participations in subsidiaries	–	220,333
Unrealized change in value short-term investments	44,767	–2,078
Unrealized exchange rate differences	–91,702	4,591
Interest income taken up as income	–135,343	–113,972
Expensed interest expenses	44,521	37,708
Parent company total	**–137,654**	**135,303**

Note 45 Transactions with related parties

Index Residence AB (publ) is owned by Capstone Management AB (50 %) and by Samisa Management AB (50 %). These companies are assessed to have a significant influence over the group. Related companies are all companies owned by these entities, including the Index Equity group, the Index Equity US group and the Index Enterprise group. Other related parties are senior positions in the group, i.e. the Board and company management, and their family members.

(a) Sale of services	*2016*	*2015*
Sale of services:		
• Index Equity AB	273	415
• Index Enterprise LLC	–	12,881
Sum	**273**	**13,296**

(a) Purchase of services	*2016*	*2015*
Purchase of services:		
• Key persons in senior position (consultancy expense marketing)	7,733	3,620
• Key persons in senior position (consultancy expense caretaking)	–	939
• Key persons in senior position (consultancy expense other)	188	72
Sum	**7,921**	**3,692**

The services are sold to/purchased from related companies on normal commercial terms, on a business basis

(c) Remuneration to senior positions

The following transactions have taken place with related parties:	**2016**	**2015**
Salaries and other short-term remuneration	3,606	5,744
Remuneration upon notice of termination	–	–
Remuneration after concluded employment	–	–
Other long-term remuneration	660	622
Share-related remuneration	–	–
Sum	**4,266**	**6,366**

For information on remuneration to senior positions, see Note 9.

Notes

Note 46 Loans to related parties

(d) Loans to related parties	2016	2015
Loans to companies with significant influence over the company (net)		
At the beginning of the year	1,018,926	754,047
Loans taken during the year	319,715	306,754
Amortized amounts	–301,619	–79,441
Write-downs	–14,950	–
Interest income	95,805	66,635
Paid interest	–37,636	–29,069
Re-classification *	619,658	
At the end of the year	**1,699,899**	**1,018,926**

*Re-classification of loans to Index Energy Mill Road Corp and Fastighets AB Bryggårdgärdet 1 AB, which last year were classified as intra-group loans and thereby eliminated at the group level.

Loans to related parties mostly consist of other long-term receivables to the group's sister groups.

Of total long-term receivables of SEK 1,538,655 thousand (SEK 991,914 thousand), SEK 850,338 thousand (SEK 193,382 thousand) constitutes long-term loans to the Index Equity Sweden group. This sum includes loans to Index Energy Mill Road Corp of SEK 665,015 thousand (SEK 0 thousand). Furthermore, SEK 659,083 thousand (SEK 650,092 thousand) constitutes long-term loans to the Index Enterprise group. See Note 23.

Of the group's short-term receivables of SEK 20,779 thousand (SEK 44,100 thousand), SEK 14,894 thousand (SEK 37,671 thousand) consists of loans to related parties. SEK 14,406 thousand (SEK 5,772 thousand) concerns loans to the Index Equity Sweden group, and SEK 488 thousand (SEK 31,899 thousand) concerns loans to the Index Enterprise group. See Note 29.

The group also has loans to related parties in the form of inventory of security papers of SEK 85,649 thousand (SEK 56,751 thousand). See Note 30. The inventory consists of receivables on US companies that are under largely the same influence as the Index Enterprise group. The group has established a write-down requirement on the loan to OMX 1 LLC, and has thus written down the loan by SEK 14,950 thousand, which constitutes 35 % of the receivable.

Finally, the group has loans to related parties in the form of loans to associated companies of SEK 89,935 thousand (SEK 0 thousand). SEK 41,632 (SEK 0 thousand) constitutes loans to the Arkenvik group, SEK 44,255 thousand (SEK 0 thousand) loans to Berinne Index Real Estate and SEK 4,047 thousand (SEK 0 thousand) to Nokon Bostad AB

The group has no pledged assets to related parties.

Note 47 Loans from related parties

(d) Loans from related parties	2016	2015
Loans from companies with significant influence over the company (net)		
At the beginning of the year	61,230	61,230
Loans taken during the year	14,978	43,081
Amortized amounts	–34,512	–170,622
Interest expenses	3,379	7,506
Paid interest	2,000	–2,346
At the end of the year	**43,075**	**61,230**

Loans from related parties mostly consist of loans from the owners.

Loans to/from related parties run for a longer period with the opportunity of full repayment upon demand. Upon demand, the total amount (incl. interest) is to be repaid within 30 days. The latest due date is 01/06/2018. The interest rate is set fixed or with a reference interest rate plus 7 %. In general, the interest rate runs between 6 and 15 per cent.

Note 48 Significant events after the end of the financial year

The group has a number of tenant-owner associations that are being consolidated since the group has controlling influence over these associations.

The composition and financing of the board will be reorganized in a couple of the tenant-owner associations, which means that the group will no longer have controlling influence and therefore will not continue to consolidate these. This also means that the group will recognise revenue for a couple of projects in progress in accordance with successive profit/loss recognition in the quarterly report of 31 March 2017.

The group's profit and loss statement and balance sheet will be presented for adoption at the annual general meeting on 28/04/2017.

The Board and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the group's position and profit/loss. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the parent company's position and profit/loss.

The Director's Report for the group and the parent company provides a true and fair view of the development of the group's and the parent company's operations, position and profit/loss, and describes significant risks and uncertainty factors faced by the parent company and the companies that are part of the group.

Stockholm, 28/04/2017

Bjarne Borg
Chairman of the Board

Rickard Haraldsson
CEO

Arne Weinz
Board member

Our audit report has been submitted on 28/04/2017

Öhrlings PricewaterhouseCoopers AB
Jeanette Cranning
Authorized public accountant
Principally responsible auditor

Helena Ehrenborg
Authorized public accountant

Vision illustration: Norrtälje Municipality and Sydväst arkitektur och landskap