



EHI Fund Denmark ApS

Axeltorv 6, 5. th
1609 Copenhagen S
CVR No. 27438377

Annual report 2023

The Annual General Meeting adopted the annual report on 15.05.2024

Marcus Holmgren Vigsø
Chairman of the General Meeting

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Entity details

Entity

EHI Fund Denmark ApS

Axeltorv 6, 5. th

1609 Copenhagen S

Business Registration No.: 27438377

Registered office: Copenhagen

Financial year: 01.01.2023 - 31.12.2023

Executive Board

Andreas Hoffmann

Louis-Foulques Servajean-Hilst

Marcus Holmgren Vigsø

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of EHI Fund Denmark ApS for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Copenhagen, 15.05.2024

Executive Board

Andreas Hoffmann

Louis-Foulques Servajean-Hilst

Marcus Holmgren Vigsø

Independent auditor's report

To the shareholders of EHI Fund Denmark ApS

Opinion

We have audited the financial statements of EHI Fund Denmark ApS for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 15.05.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Lars Kronow

State Authorised Public Accountant

Identification No (MNE) mne19708

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	60,385	52,601	48,551	49,911	54,444
Gross profit/loss	43,835	34,904	36,656	37,306	39,973
Operating profit/loss	43,835	34,904	36,656	37,306	39,973
Net financials	(10,735)	(4,739)	(4,255)	(5,958)	(7,863)
Profit/loss for the year	50,890	105,439	47,442	46,195	38,329
Total assets	868,956	813,657	691,983	634,018	641,274
Investments in property, plant and equipment	15,870	26,068	30,451	16,288	14,485
Equity	523,944	483,054	377,615	330,173	283,977
Ratios					
Gross margin (%)	72.59	66.36	75.49	74.75	73.42
Return of investment	5.04	4.29	5.30	5.90	6.20
Equity ratio (%)	60.30	59.37	54.57	52.08	44.28

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Return on investment (%):

$\frac{\text{EBIT} * 100}{\text{Total assets}}$

Total assets

Return on equity (%):

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

EHI Fund Denmark ApS' (the « Entity ») purpose is to invest in commercial properties and through active management to optimize the operation.

The entity has a portfolio of 11 assets in greater Copenhagen, which includes the following assets:

Herstedvang 2-4, Albertslund
Priorparken 700, Brøndbyvester
Priorparken 800 , Brøndbyvester
Fabriksparken 20, Glostrup
Naverland 7-11, Glostrup
Naverland 8 , Glostrup
Naverland 12, Glostrup
Stamholmen 111, Hvidovre
Islevdalvej 142-148, Rødovre
Hørskættten 4-6, Taastrup
Hørskættten 5 ,Taastrup

Description of material changes in activities and finances

Profit for the year before tax amounts to DKK 65,230 thousand, including a positive value adjustment of DKK 32,130 thousand.

Profit for the year after tax amounts to DKK 50,890 thousand and management considers the results satisfactory.

The Russian invasion of Ukraine in February 2022 has led to many disruptive and destabilising consequences on the world market. The Entity does not have tenants or vendors that have a direct connection to Russia or Ukraine but we have seen and experienced effects in the market due to the ongoing conflict. Prices has also increased in 2023 however not at the same level as in 2022 but still delays of certain materials, especially for metal and steel. Lack of supply of materials but increase demand, where there is a risk of increase cost in capex projects is having increased cost compared to expectations in budget.

Throughout 2023 its impact on global markets and trade amplified, also in Denmark where all of the Entity's properties are located. Material increase in inflation, increasing cost of goods, heating, electricity due to the war in Ukraine. Due to these factors, it is difficult to predict the possible future financial impact. However, the Entity is relatively well-positioned to handle the uncertainty given its positive cash flow, which is reflected in its DKK 16.6 mio. cash holdings as well as its minor liabilities.

Based on the above, the Entity is expected to be able to meet its obligations as they come due.

Uncertainty relating to recognition and measurement

The properties' values are measured and recognized in the balance sheet at value based on an assessment made by an established, independent real estate appraiser. As to the uncertainty regarding recognition and measurement of investment properties, please see note 1 to the financial statements.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue		60,385	52,601
Other external expenses		(16,550)	(17,697)
Gross profit/loss		43,835	34,904
Other financial income		94	0
Other financial expenses	2	(10,829)	(4,739)
Profit/loss before fair value adjustments and tax		33,100	30,165
Fair value adjustments of investment property	3	32,130	105,009
Profit/loss before tax		65,230	135,174
Tax on profit/loss for the year	4	(14,340)	(29,735)
Profit/loss for the year		50,890	105,439
Proposed distribution of profit and loss:			
Ordinary dividend for the financial year		0	10,000
Retained earnings		50,890	95,439
Proposed distribution of profit and loss		50,890	105,439

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Investment property		840,700	792,700
Property, plant and equipment	5	840,700	792,700
Fixed assets		840,700	792,700
Trade receivables		5,403	4,242
Receivables from group enterprises		4,454	4,454
Deferred tax		125	505
Other receivables		709	1,815
Income tax receivable		255	1,750
Prepayments		1,250	1,613
Receivables		12,196	14,379
Cash		16,060	6,578
Current assets		28,256	20,957
Assets		868,956	813,657

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		226	226
Retained earnings		523,718	472,828
Proposed dividend		0	10,000
Equity		523,944	483,054
Deferred tax		105,232	92,240
Provisions		105,232	92,240
Prepayments received from customers		17,499	17,808
Payables to group enterprises		205,133	203,544
Non-current liabilities other than provisions		222,632	221,352
Prepayments received from customers		11,035	9,098
Trade payables		4,325	4,986
Other payables		1,788	2,927
Current liabilities other than provisions		17,148	17,011
Liabilities other than provisions		239,780	238,363
Equity and liabilities		868,956	813,657
Uncertainty relating to recognition and measurement	1		
Employees	6		
Contingent liabilities	7		
Group relations	8		

Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	226	472,828	10,000	483,054
Ordinary dividend paid	0	0	(10,000)	(10,000)
Profit/loss for the year	0	50,890	0	50,890
Equity end of year	226	523,718	0	523,944

Notes

1 Uncertainty relating to recognition and measurement

Regarding the practical use of the accounting policies specified, Management has made a significant accounting estimate based on an external value assessment of the portfolio.

At 31 December 2023, the properties have been recognised at a fair value of DKK 841 million.

At 31 December 2023, the portfolio has been recognised based on external and independent experts' assessment to get the most accurate fair value in a non-forced transaction between two independent parties.

The most important factor in the fair value calculation is the rate of return. An increase in the rate of return will lead to a decrease in the fair value and, on the other hand, a decrease in the rate of return will mean an increase in the fair value. At present, the market is very volatile. For the sensitivity when calculating the fair value of the investment properties see note 5.

Investment properties are measured at fair value. The fair value is calculated using established valuation techniques (RICS valuation model - red book).

2 Other financial expenses

	2023	2022
	DKK'000	DKK'000
Financial expenses from group enterprises	10,234	4,625
Other interest expenses	(14)	124
Exchange rate adjustments	609	(10)
	10,829	4,739

3 Fair value adjustments of investment property

The fair value adjustment consists of DKK 32.130 thousand related to the existing investment properties.

4 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Current tax	975	0
Change in deferred tax	13,372	29,738
Adjustment concerning previous years	(7)	(3)
	14,340	29,735

5 Property, plant and equipment

	Investment property DKK'000
Cost beginning of year	696,249
Additions	15,870
Cost end of year	712,119
Fair value adjustments beginning of year	96,451
Fair value adjustments for the year	32,130
Fair value adjustments end of year	128,581
Carrying amount end of year	840,700

Assumptions when calculating the fair value of the investment properties

The investment properties are measured at fair value. The fair value is calculated using established valuation techniques (the RICS valuation model - red book).

The investment properties consist of warehouses and office buildings located in the metropolitan area.

The total fair value of DKK 840,700 thousand has been calculated by the following assumptions.

- The budget period consists of 10 years and a termination period.
- The Increase in market rent is set at 1,5%.
- The expected idle rent/structural vacancy is a percentage of income between 0% and 24%

Sensitivity when calculating the fair value of the investment properties

At 31 December 2023, the market value has been assessed using an individually fixed rate of return between 6.9% and 7.9%. The average rate of return can be calculated at 7.4%.

Changes in the estimate of the rate of return on the investment properties will affect the value of the investment properties recognised in the balance sheet and the value adjustment recognised in the income statement.

Changes in the average rate of return:	-0,5%	Basis	0,5%
Rate of return	6,9%	7,4%	7,9%
Fair value	901,741	840,700	787,398
Change in fair value	61,041	0	(53,301)

The valuation of the year has resulted in a revaluation of DKK 32,130 thousand.

6 Employees

The Entity has no employees other than the Executive Board.

7 Contingent liabilities

	2023	2022
	DKK'000	DKK'000
Other contingent liabilities	17,264	15,618
Contingent liabilities	17,264	15,618

8 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Cromwell European Real Estate Investment Trust, Singapore, Asia

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

The annual report is presented in DKK'000.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in the reserve for fair value adjustments of hedging instruments in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are recognised directly in the translation reserve in equity.

Income statement

Revenue

Rental income is recognised on a straight-line basis during the rental period.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Other external expenses

Other external expenses include expenses relating to office conditions, audit and so on.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by using the DCF model as the calculated value in use of expected cash flows from each property. To determine expected cash flows, the budgeted cash flows for each property for the next 10 years are used, including increases in price and rent levels, and a calculated terminal value which reflects the amount of normalised cash flows expected to be generated by the property after the budget period. The cash flows so calculated are discounted to net present value by using a discount rate that is estimated to reflect current market -required yield rates for similar properties inclusive of expected inflation.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.