Annual Report 2019/20

BoStad A/S

1 July 2019 - 30 June 2020

CVR number 29 24 64 91

BLOX
Bryghuspladsen 8, 3rd floor
DK-1473 Copenhagen K

Approved on BoStad A/S' Annual General Meeting
on 30 September 2020

BoStad
DIT HJEM I BYEN

Contents

Entity details

Entity
BoStad A/S
Bryghuspladsen 8, 3rd floor
DK-1473 Copenhagen K

Central Business Registration No (CVR): 29246491
Registered in: København
Financial year: 01.07.2019 - 30.06.2020

Board of Directors
Philipp Anton Braschel
Rikke Hoffensetz Andresen
Jacob Smergel-Krog
William Kanta

Executive Board
William Kanta

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BoStad A/S for the financial year 01.07.2019 - 30.06.2020.

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 30.06.2020 and of the results of its operations and cash flows for the financial year 01.07.2019 - 30.06.2020.

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, 30.09.2020

Executive Board

William Kanta

Board of Directors

Philipp Anton Braschel	Rikke Hoffensetz Andresen	Jacob Smergel-Krog

William Kanta

Independent auditor's report

To the shareholders of BoStad A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of BoStad A/S for the financial year 01.07.2019 - 30.06.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2019 - 30.06.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Group's and the Parent’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 30.09.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Tim Kjær-Hansen
State Authorised Public Accountant
Identification No (MNE) mne23295

Chris Middelhede
State Authorised Public Accountant
Identification No (MNE) mne45823

Management commentary

Primary activities

Main activity

The Group's main activity is letting of real estate, primarily within the residential segment. As at the balance sheet date, the Group owns approx. 1,350 units, and the rental income is distributed with approx. 72% relating to residential and 28% relating to commercial units. The total valuation of the properties as per 30 June 2020 is calculated at DKK 1.72 billion.

During the financial year, the Group has entered into an agreement concerning acquisition of 469 newly built residential units based on a total agreed property value of DKK 879.6 million. The units will be delivered to the Group during the financial year 2020/21. The Group will then own 1,819 units, after which the rental income will be distributed with approx. 82% on residential and 18% on commercial units.

Strategy

The Group's strategy and objectives for the coming years focuses on continuing to increase the Group's investments in residential rental properties, to streamline the portfolio around residential rental properties in Danish, regional growth cities and to invest in the Group's existing properties in order for such properties to have a high maintenance level and quality. The vision is to create a good framework for life with respect for people's quality of life, culture and sustainability. Please also refer to the Group’s website at www.bostad.dk.

Development in activities and finances

The annual report for BoStad A/S for the period 1 July 2019 to 30 June 2020 includes the result of the Group's activities. It has been **a year of change** and the annual accounts are as expected and follows the Group's strategy as expected. The financial year is **characterized by extraordinary investments** in the renovation of the Group's properties and a double-digit million amount of non-recurring costs in connection with major transactions as described in more detail below and in the section on the Group's financial development:

- During the financial year, the Group has **changed its management team**. In addition to William Kanta (former lawyer and Head of London Office for Kromann Reumert and Managing Director of Catella Investment Management in Denmark) as CEO, BoStad's management consists of Michael Brichmann, COO (former lawyer at Gorrissen Federspiel) and Simon B. Moestrup, CFO (former Head of Finance at Realdania and auditor at Deloitte).

- Further, the Group has **changed the composition of the board of directors** so that the board now consists of Rikke Hoffensetz Andresen, who is a partner and Head of Real Estate at Kammeradvokaten/Advokatfirmaet Poul Schmith, Jacob Smergel-Krog, who is CEO and Founder of RUBIK Properties (formerly Head of Investment Management in PATRIZIA) and Philipp Braschel, Managing Director of Castlelake. CEO William Kanta is also a member of the Board of Directors.

- In accordance with the strategy to create a good framework for life and have a portfolio of highly maintained properties, the Group **has invested a double-digit million amount in maintenance of the Group's properties.**

- As part of the strategy to focus on residential properties in larger, regional cities in Denmark, the Group has **sold 7 smaller residential properties and 3 larger commercial properties.**

Management commentary

- As part of the strategy to increase the residential portfolio in Danish, regional growth cities, the Group has **taken over 37 seven newbuild houses at Liseborg Plantage in Viborg.**

- In addition, during the financial year, the Group has entered into agreements concerning **acquisition of 469 newly built residential units** in the form of terraced houses and houses with flats. The new units are located in Kolding, Vejle and Silkeborg, respectively, and **will be delivered to BoStad during the financial year 2020/2021. The projects are expected to increase the Group's revenue by up to DKK 51 million per year.**

- The rental income in the Group's property portfolio has been stable **despite Covid-19.** As at the balance sheet date, more than **99% of the Group's invoiced rent payments have been paid.**

- During the financial year, a total of **approx. DKK 80 million in cash has been contributed as equity** to the company, partly by completion of a directed issue of new shares at market price and partly by entering into a convertible loan agreement, which has subsequently been converted to equity.

- During the financial year 2019/20, the Group's **senior debt has been reduced by a net of DKK 164 million** as a result of the sale of properties and extraordinary installments of DKK 70 million.

- The adopted amendments to section **5(2) of the Danish Housing Regulation Act,** has had a **negative effect** on the value of the Group's properties of DKK 28 million, **corresponding to 1.6% of the value of the Group's total property portfolio** of DKK 1,717.3 million.

- On 14 April 2020, BoStad A/S' major shareholder CL Denmark ApS published an announcement concerning compulsory **redemption of the minority shareholders**, refer sections 70 and 72 of the Danish Companies Act, and the compulsory redemption was completed by CL Denmark ApS on 20 May 2020.

- Following the published announcement concerning compulsory redemption of 14 April 2020 and given that the compulsory redemption would entail that CL Denmark ApS would become the owner of all A and B shares in the company, the Board of Directors submitted an application to Nasdaq Copenhagen A/S regarding **deletion of BoStad A/S' B shares from trading and official listing on Nasdaq Copenhagen A/S.** The application for delisting was accommodated, and the last trading day for the B shares was 13 May 2020.

Profit/loss for the year in relation to expected developments

Group

The operating profit for the year was DKK 51.7 million (2018/19: DKK 61.4 million) and operating profit for the year before fair value adjustments of investment properties was DKK 35.6 million (2018/19: DKK 46.8 million).

Operating profit for the year before fair value adjustments of investment properties are negatively affected by a double-digit million amount on non-recurring costs primarily related to the acquisition of 469 newly built residential units, refinancing of debt, capital contributions, and delisting of shares.

Management commentary

Financial items for the year was DKK -33.4 million (2018/19: DKK -17.7 million). For the year DKK -5.3 million is financial costs related to the refinancing of debt. Other increases in financial expenses relates to temporary bank loans and an increase in the margin.

Fair value adjustments of investment properties for the year was DKK 16.1 million (2018/19: DKK 14.5 million).

Tax on profit for the year was DKK -6.1 million (2018/19: DKK -10.5 million).

Parent
Profit for the year was DKK 0.8 million.

Uncertainty relating to recognition and measurement
The Group's investment properties are measured at fair value, which as at the balance sheet date amounts to DKK 1,717 million. The fair value is calculated for the individual properties on the basis of a number of assumptions, including the budgeted cash flows of the individual properties as well as established discount factors, refer to the discussion included in the description of applied accounting policies. The discount factors are set so that they are assessed to reflect the market's current required rate of return on similar properties, including expected inflation. There is uncertainty associated with the determination of the discount factors, and an increase in the discount factor by an average of 0.5 percentage points will reduce the total fair value by DKK 165 million, refer to the discussion included in note 1 to the accounts.

Outlook
The outlook for the future is based on the following assumptions:

- The profit expectations are essentially based on an **unchanged property portfolio with the addition of 469 newly built residential units**, which will be delivered during the financial year, refer above.

- The Group is contemplating **significant maintenance and CAPEX works** on its property portfolio.

- From the autumn of 2020, **the Group has taken over the property management on its portfolio, completed a project with streamlining processes and hired its own facility managers**. This is expected to result in a saving on the Group's operating costs.

BoStad A/S expects a operating profit before value ajustments in the range of DKK 55-60 million and a profit before tax and value adjustments in the range of DKK 25-30 million for the financial year 2020/21.

Management commentary

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000
Financial highlights					
Key figures					
Gross profit	43,992	57,186	87,767	66,310	63,568
Operating profit/loss	51,743	61,357	99,638	47,291	91,231
Net financials	(33,380)	(17,743)	(22,928)	(30,204)	(35,031)
Profit/loss for the year	12,227	33,097	59,676	15,144	46,100
Total assets	1,824,973	1,859,619	1,875,991	2,038,571	1,998,941
Investments in property, plant and equipment	17,095	10,333	33,672	12,988	59,917
Equity	459,516	366,560	329,211	269,535	203,584
Ratios					
Return on equity (%)	3.0	9.5	19.9	6.4	22.6
Equity ratio (%)	25.2	19.7	17.5	13.2	10.2

The accounting polices have been changed in 2019/20 and comparative figures for 2018/19 have been changed. Comparative figures for 2015/16 – 2017/18 have not been changed in the financiel highlights.

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Particular risks

Risk factors and risk management

Risk management is part of the Group's strategy to ensure high earnings.

The real estate industry is cyclically sensitive, which is reflected, among other things, fluctuating real estate prices. The Board of Directors continuously assesses the overall risk factors and the individual risk factors associated with the Group's activities.

Risk parameters are assessed on the basis of reporting from, among others, the Group's partners within property management and letting, as well as the Group's advisers.

The Group's risk factors are divided into (a) operational, (b) financing and (c) liquidity risks.

(a) Operational risks

The operational risks consist of declining rental income and higher operating costs.

(b) Financing risks

The financing risk has been sought to be covered by the fact that the majority of the Group's financing is based on 20- and 30-year mortgage loans.

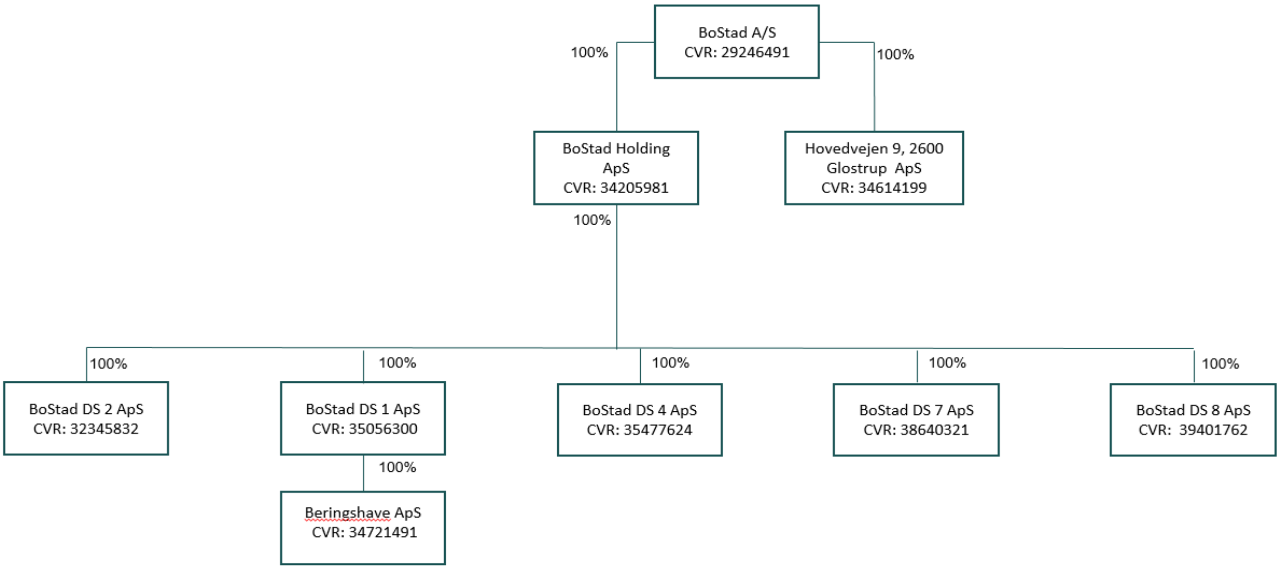
There is a general risk associated with the development in interest rates. The Group has tried to accommodate this risk by having a fixed interest rate for a period of at least 5 years on the majority of the Group's financing.

(c) Liquidity risks

The individual companies are structured in such a way that properties belonging to the same mortgagee are placed in the same company, whereby the companies are only liable for each other's debt obligations if the companies have the same mortgagee. The company has minimized its liquidity risks, partly by entering into agreements on disposition of free cash flow with certain sources of financing, and partly by capitalizing the company by DKK 80 million in the autumn of 2019.

Management commentary

Group relations
As at 30 June 2020, the Group is structured as set out below:



Events after the balance sheet date

- As part of its strategy to focus the Group's properties around residential properties in larger, regional cities in Denmark, the Group has **sold 10 smaller residential properties and 2 commercial properties** after the balance sheet date.

- The Group will **continue the ongoing renovation work on its existing portfolio of core properties** in the financial year 2020/21 in accordance with its strategy of creating a good framework for life and having a highly maintained property portfolio.

The above-mentioned events have not had a significant influence on the company’s annual accounts for the financial year 2020/21, and no other events have occurred after the balance sheet date, which would significantly influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross profit		**43,992**	**57,186**
Fair value adjustments of investment property		16,140	14,542
Staff costs	2	(8,062)	(9,693)
Depreciation, amortisation and impairment losses		(327)	(678)
Operating profit/loss		**51,743**	**61,357**
Other financial income		117	159
Other financial expenses	3	(33,497)	(17,902)
Profit/loss before tax		**18,363**	**43,614**
Tax on profit/loss for the year	4	(6,136)	(10,517)
Profit/loss for the year	5	**12,227**	**33,097**

Consolidated balance sheet at 30.06.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Investment property		1,717,243	1,730,490
Other fixtures and fittings, tools and equipment		509	1,998
Property, plant and equipment	6	**1,717,752**	**1,732,488**
Deposits		132	300
Other receivables		6,533	0
Fixed asset investments	7	**6,665**	**300**
Fixed assets		**1,724,417**	**1,732,788**
Manufactured goods and goods for resale		33,453	62,822
Inventories		**33,453**	**62,822**
Trade receivables		248	3,367
Other receivables		20,696	17,942
Income tax receivable		112	0
Prepayments	8	1,737	2,296
Receivables		**22,793**	**23,605**
Cash		**44,310**	**40,404**
Current assets		**100,556**	**126,831**
Assets		**1,824,973**	**1,859,619**

Consolidated balance sheet at 30.06.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		169,221	131,466
Retained earnings		290,295	235,094
Equity		**459,516**	**366,560**
Deferred tax	9	36,724	32,733
Provisions		**36,724**	**32,733**
Mortgage debt		1,122,789	1,219,291
Deposits		1,644	2,662
Other payables		18,281	0
Non-current liabilities other than provisions	10	**1,142,714**	**1,221,953**
Current portion of long-term liabilities other than provisions	10	36,540	102,028
Bank loans		96,960	58,199
Deposits		32,775	29,761
Trade payables		4,319	8,366
Income tax payable		890	22,117
Other payables		14,374	17,010
Deferred income		161	892
Current liabilities other than provisions		**186,019**	**238,373**
Liabilities other than provisions		**1,328,733**	**1,460,326**
Equity and liabilities		**1,824,973**	**1,859,619**

Uncertainty relating to recognition and measurement	1
Unrecognised rental and lease commitments	12
Contingent liabilities	13
Assets charged and collateral	14
Transactions with related parties	15
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Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	131,466	228,348	359,814
Changes in accounting policies	0	6,746	6,746
Adjusted equity, beginning of year	**131,466**	**235,094**	**366,560**
Increase of capital	37,755	43,452	81,207
Other entries on equity	0	(478)	(478)
Profit/loss for the year	0	12,227	12,227
Equity end of year	**169,221**	**290,295**	**459,516**

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		35,603	46,815
Amortisation, depreciation and impairment losses		327	678
Share-based payment		0	(437)
Working capital changes	11	7,425	(15,807)
Cash flow from ordinary operating activities		**43,355**	**31,249**
Financial income received		117	159
Financial expenses paid		(33,497)	(24,011)
Income taxes refunded/(paid)		(21,129)	721
Cash flows from operating activities		**(11,154)**	**8,118**
Acquisition etc of property, plant and equipment		(17,095)	(10,333)
Sale of property, plant and equipment		101,254	14,639
Deposited		168	14
Cash flows from investing activities		**84,327**	**4,320**
Cash increase of capital		81,207	0
Net raised/repayments of loans ect		(150,474)	(110,444)
Cash flows from financing activities		**(69,267)**	**(110,444)**
Increase/decrease in cash and cash equivalents		**3,906**	**(98,006)**
Cash and cash equivalents beginning of year		40,404	138,410
Cash and cash equivalents end of year		**44,310**	**40,404**

Notes to consolidated financial statements

1. Uncertainty relating to recognition and measurement

On initial recognition, the Company's investment property is measured at cost, which comprises the acquisition price of the property and any costs directly related thereto. The investment property is subsequently measured at an estimated fair value calculated on the basis of the Discounted Cash Flow model (DCF model). The model is based on the future cash flows of the property, which are discounted at a fixed discount rate with adjustment of the risk of the individual property.

The significant assumptions used when determining the fair value are the annual changes in rental income and operating costs as well as the discount rate, which includes a required rate of return and inflation. On average, a discount rate of 6.44% has been used.

When calculating future cash flows, budgets have been prepared for each property, including rental income, vacancy, operating and maintenance costs, as well as improvement costs, and these have formed the basis for recognition in the DCF model. The budgeted rental income is based on the current rental situation, and a rent increase of 1.5% has been recognised based on the budgeted income or in accordance with concluded lease contracts, where specific rental prices have been agreed. Vacancy is also budgeted based on the current rental situation and is determined on the basis of the budgeted vacancy, and expected maintenance costs are budgeted for each property and projected by an annual increase of 1.5%. No valuation reports were obtained in the financial year 2019/20.

Sensitivity analysis

Fair value of investment properties amounts to 1,717 million as of 30 June 2020. The sensitivity is primary effect by changes in yield. The below mentioned figure shows the effect of a decrease or increase in yield.

	Change in yield	Fair value	Change in fair value
	%	*Million*	*Million*
Decrease in yield	-0.50	1,919	202
Decrease in yield	-0.25	1,811	94
Average	6.44	1,717	
Increase in yield	0.25	1,629	-88
Increase in yield	0.50	1,552	-165

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
2. Staff costs		
Wages and salaries	6,293	8,108
Pension costs	1,267	986
Other social security costs	70	182
Other staff costs	432	417
	8,062	**9,693**
Average number of employees	**9**	**10**

	Remuneration of management 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000
Executive Board	2,000	1,832
Board of Directors	443	1,299
	2,443	**3,131**

Executive Board has for parts of the financial year been remunerated based on a management agreement with an external consulting company.

	2019/20 DKK'000	2018/19 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	790	0
Other interest expenses	27,376	17,902
Other financial expenses	5,331	0
	33,497	**17,902**

	2019/20 DKK'000	2018/19 DKK'000
4. Tax on profit/loss for the year		
Current tax	0	1,004
Change in deferred tax	6,169	9,476
Adjustment concerning previous years	(33)	37
	6,136	**10,517**

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	12,227	33,097
	12,227	**33,097**

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment		
Cost beginning of year	1,670,073	3,554
Transfers	102,133	0
Additions	16,973	122
Disposals	(143,197)	(3,108)
Cost end of year	**1,645,982**	**568**
Depreciation and impairment losses beginning of year	0	(1,556)
Depreciation for the year	0	(226)
Reversal regarding disposals	0	1,723
Depreciation and impairment losses end of year	**0**	**(59)**
Fair value adjustments beginning of year	60,417	0
Fair value adjustments for the year	16,140	0
Reversal regarding disposals	(5,296)	0
Fair value adjustments end of year	**71,261**	**0**
Carrying amount end of year	**1,717,243**	**509**

On initial recognition, investment property is measured at cost, which comprises the acquisition price of the property and any costs directly related thereto. Investment properties are subsequently measured at estimated fair value.

Insofar as the fair value of investment properties cannot be deduced from an active market, Management assesses an appropriate method to calculate the fair values. For this purpose, a discounted cash flow model (DCF model) is used, which is widely recognised for valuation of investment properties.

Notes to consolidated financial statements

	Deposits DKK'000	Other receivables DKK'000
7. Fixed asset investments		
Cost beginning of year	300	0
Additions	132	6,533
Disposals	(300)	0
Cost end of year	**132**	**6,533**
Carrying amount end of year	**132**	**6,533**

8. Prepayments

Prepayments recognized under assets comprise expenses incurred relating to the following year.

	2019/20 DKK'000	2018/19 DKK'000
9. Deferred tax		
Property, plant and equipment	40,212	40,403
Liabilities other than provisions	(244)	(1,831)
Tax losses carried forward	(3,244)	(5,839)
	36,724	**32,733**

Changes during the year	
Beginning of year	32,733
Recognised in the income statement	6,169
Other changes	(2,178)
End of year	**36,724**

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000	Outstanding after 5 years DKK'000
10. Liabilities other than provisions				
Mortgage debt	34,901	102,028	1,122,789	1,033,392
Deposits	0	0	1,644	0
Other payables	1,639	0	18,281	11,723
	36,540	**102,028**	**1,142,714**	**1,045,115**

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
11. Change in working capital		
Increase/decrease in inventories	(8,780)	(6,660)
Increase/decrease in receivables	26,963	(4,150)
Increase/decrease in trade payables etc	(10,758)	(4,997)
	7,425	**(15,807)**

	2019/20 DKK'000	2018/19 DKK'000
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**162**	**22,110**

13. Contingent liabilities

The Group has as security for mortgage debt and bank debt provided a guarantee of payment to lenders.

The Group has entered into an agreement regarding property management. The liability until maturity amounts to 2.7 million.

14. Assets charged and collateral

Mortgage and bank debt is secured by mortgages in properties amounting to 1,255 million. The carring amount of mortgaged proporties is 1,751 million.

15. Transactions with related parties

The annual report only discloses transactions with related parties that have not been carried out on market terms. No such transactions were reviewed during the financial year.

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: CL Denmark ApS, CVR-nr. 38330780, København

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
17. Subsidiaries			
Hovedvejen 9, 2600 Glostrup ApS	Aarhus	ApS	100.0
Bostad Holding ApS	København	ApS	100.0
BoStad DS 1 ApS	Aarhus	ApS	100.0
Beringshave ApS	Aarhus	ApS	100.0
BoStad DS 2 ApS	Aarhus	ApS	100.0
BoStad DS 4 ApS	Aarhus	ApS	100.0
BoStad DS 7 ApS	Aarhus	ApS	100.0
Bostad DS 8 ApS	Aarhus	ApS	100.0

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Gross loss		**(2,442)**	**(787)**
Staff costs	1	(5,967)	(7,608)
Depreciation, amortisation and impairment losses		(770)	(458)
Operating profit/loss		**(9,179)**	**(8,853)**
Other financial income	2	3,333	4,358
Impairment losses on financial assets		6,584	0
Other financial expenses	3	(1,586)	(834)
Profit/loss before tax		**(848)**	**(5,329)**
Tax on profit/loss for the year	4	1,622	(260)
Profit/loss for the year	5	**774**	**(5,589)**

Parent balance sheet at 30.06.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Other fixtures and fittings, tools and equipment		478	1,887
Property, plant and equipment	6	**478**	**1,887**
Investments in group enterprises		106,051	67,305
Deposits		132	300
Fixed asset investments	7	**106,183**	**67,605**
Fixed assets		**106,661**	**69,492**
Receivables from group enterprises		129,335	87,346
Deferred tax		1,689	123
Other receivables		24	0
Income tax receivable		972	20,587
Prepayments	8	69	292
Receivables		**132,089**	**108,348**
Cash		**7,014**	**8,195**
Current assets		**139,103**	**116,543**
Assets		**245,764**	**186,035**

Parent balance sheet at 30.06.2020

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital	9	169,221	131,466
Retained earnings		74,074	30,319
Equity		**243,295**	**161,785**
Trade payables		143	1,655
Income tax payable		998	21,221
Other payables		1,328	1,374
Current liabilities other than provisions		**2,469**	**24,250**
Liabilities other than provisions		**2,469**	**24,250**
Equity and liabilities		**245,764**	**186,035**
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Related parties with controlling interest	12		
Transactions with related parties	13		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	131,466	30,319	161,785
Increase of capital	37,755	43,452	81,207
Other entries on equity	0	(471)	(471)
Profit/loss for the year	0	774	774
Equity end of year	**169,221**	**74,074**	**243,295**

Notes to parent financial statements

	2019/20 DKK'000	2018/19 DKK'000
1. Staff costs		
Wages and salaries	4,723	6,664
Pension costs	991	746
Other social security costs	40	43
Other staff costs	213	155
	5,967	**7,608**
Average number of employees	**5**	**6**

	Remuneration of management 2019/20 DKK'000	Remuneration of management 2018/19 DKK'000
Executive Board	2,000	1,832
Board of Directors	443	1,299
	2,443	**3,131**

Executive Board has for parts of the financial year been remunerated based on a management agreement with an external consulting company.

	2019/20 DKK'000	2018/19 DKK'000
2. Other financial income		
Financial income arising from group enterprises	3,333	4,358
	3,333	**4,358**

	2019/20 DKK'000	2018/19 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	1,309	98
Other interest expenses	277	736
	1,586	**834**

	2019/20 DKK'000	2018/19 DKK'000
4. Tax on profit/loss for the year		
Current tax	0	321
Change in deferred tax	(1,622)	(61)
	(1,622)	**260**

Notes to parent financial statements

	2019/20 DKK'000	2018/19 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	774	(5,589)
	774	**(5,589)**

	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment	
Cost beginning of year	3,028
Additions	122
Disposals	(2,592)
Cost end of year	**558**
Depreciation and impairment losses beginning of year	(1,141)
Depreciation for the year	(249)
Reversal regarding disposals	1,310
Depreciation and impairment losses end of year	**(80)**
Carrying amount end of year	**478**

	Invest-ments in group enterprises DKK'000	Deposits DKK'000
7. Fixed asset investments		
Cost beginning of year	67,305	300
Additions	38,746	132
Disposals	0	(300)
Cost end of year	**106,051**	**132**
Carrying amount end of year	**106,051**	**132**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

8. Prepayments

Prepayments recognized under assets comprise expenses incurred relating to the following year.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
9. Contributed capital			
Ordinary shares	169,221,316	0.001	169,221
	169,221,316		**169,221**

The company’s contributed capital consists only of A-shares. It has in previous years consisted of difference classes.

	2019/20 DKK'000	2018/19 DKK'000
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**162**	**12,277**

11. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where CL Denmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

The companies are included in a joint registration regarding VAT, and the group is liable unlimitedly and jointly and severally for VAT with the other campanies included in the joint registration.

The company has as securty for mortgage debt and bank debt provied a guarantee of payment to lenders.

12. Related parties with controlling interest

The company’s Executive Board and Board of Directors have subscription right and thus have a controlling influence on BoStad A/S.

CL Denmark ApS owns all shares in the company and thus has a controlling influence on BoStad A/S.
CL V Ventures Offshore LLC is ultimate parant and thus has a controlling influence on BoStad A/S.

13. Transactions with related parties

The annual report only discloses transactions with related parties that have not been carried out on market terms. No such transactions were reviewed during the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are described below.

Changes in accounting policies
The annual report has previous been presented in according with the International Financing Reporting Standards. The transition to the Danish Financial Statements Act has primarily changed the accounting policies regarding mortgage debt.

The change in the accounting policies has had the following impact on the comparative figures:

Profit & Loss: 2.5 million
Equity: 6.7 million
Assets: 0.0 million

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and

Accounting policies

its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. 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 adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation and amortisation relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Accounting policies

Other financial income
Other financial income comprises income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, as well as 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, as well as 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
Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of equipment are written down to the lower of recoverable amount and carrying amount.

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 years is used, including increases in price and rent levels, as well as 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

Accounting policies

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.

Investments in group enterprises
Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

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

Inventories
Inventories include acquired properties intended for resale. Inventories are measured at cost, or net realizable value, if this is lower. Net realizable value for inventories is calculated as expected sales price less completion costs and costs to be incurred to effect sales.

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the

Accounting policies

term of the lease.

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

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

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.