

HERNINGVEJ 102, SILKEBORG ApS

c/o CBRE A/S
Rued Langgaards Vej 8
2300 København S
Denmark

CVR no. 31 16 54 07

Annual report for the period 1 July 2021 – 31 December 2022

The annual report was presented and approved at
the Company's annual general meeting on

7 July 2023

Jørn Jensen Holm
Chairman of the annual general meeting

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HERNINGVEJ 102, SILKEBORG ApS
Annual report 2021/22
CVR no. 31 16 54 07

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of HERNINGVEJ 102, SILKEBORG ApS for the financial period 1 July 2021 – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial period 1 July 2021 – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 7 July 2023
Executive Board:

Jørn Jensen Holm

Per Alexandar Henrik
Glindtberg Weinreich

Kristian Nittka

Independent auditor's report

To the shareholder of HERNINGVEJ 102, SILKEBORG ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 July 2021 - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of HERNINGVEJ 102, SILKEBORG ApS for the financial year 1 July 2021 - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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 Financial Statements section of our report. We are independent of the Company 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.

Statement on the Management's review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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

Independent auditor's report

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 judgment and maintain professional skepticism throughout the audit. We also:

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

Hellerup, 7 July 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

René Otto Poulsen
State Authorised
Public Accountant
mne26718

Henrik Hornbæk
State Authorised
Public Accountant
mne32802

HERNINGVEJ 102, SILKEBORG ApS
Annual report 2021/22
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Management's review

Company details

HERNINGVEJ 102, SILKEBORG ApS
c/o CBRE A/S
Rued Langgaards Vej 8
2300 København S
Denmark

CVR no.:	31 16 54 07
Established:	20 December 2007
Registered office:	Copenhagen
Financial period:	1 July 2021 – 31 December 2022

Executive Board

Jørn Jensen Holm
Per Alexandar Henrik Glindtborg Weinreich
Kristian Nittka

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Management's review

Operating review

Principal activities

The purpose of the Company is to manage and let real estate.

Uncertainties as to recognition or measurement

The Company's investment property is recognised in the balance by applying a DCF method. The yield requirement is associated with critical accounting estimates, which means that the fair value may differ from the properties' actual value. We refer to note 6 for additional information.

Development in activities and financial position

The Company's income statement for the period 1 July 2021 - 31 December 2022 shows a profit of DKK 28,259,832 as against DKK 14,124,895 for the period 1 July 2020 - 30 June 2021. Equity in the Company's balance sheet at 31 December 2022 stood at DKK 55,426,206 as against DKK 23,985,917 at 30 June 2021.

The Company has changed the financial reporting period from 1 July - 30 June to 1 January - 31 December. The transition period covers 1 July 2021 - 31 December 2022.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

Financial statements 1 July – 31 December

Income statement

DKK	Note	1/7 2021- 31/12 2022	1/7 2020- 30/6 2021
Gross profit		7,374,826	483,824
Staff costs	2	<u>0</u>	<u>-560,855</u>
Profit/loss before financial income and expenses		7,374,826	-77,031
Fair value adjustment of investment properties		30,796,544	18,052,380
Other financial income	3	917,953	202,395
Other financial expenses	4	<u>-3,861,988</u>	<u>-68,849</u>
Profit before tax		35,227,335	18,108,895
Tax on profit for the year	5	<u>-6,967,503</u>	<u>-3,984,000</u>
Profit for the period		<u>28,259,832</u>	<u>14,124,895</u>
Proposed profit appropriation			
Extraordinary dividend distributed in the year		5,000,000	0
Retained earnings		<u>23,259,832</u>	<u>14,124,895</u>
		<u>28,259,832</u>	<u>14,124,895</u>

Financial statements 1 July – 31 December

Balance sheet

DKK	Note	31/12 2022	30/6 2021
ASSETS			
Fixed assets			
Property, plant and equipment	6		
Investment properties		<u>256,200,000</u>	<u>155,177,436</u>
Total fixed assets		<u>256,200,000</u>	<u>155,177,436</u>
Current assets			
Receivables			
Trade receivables		117,378	0
Receivables from group entities		210,011	56,568,537
Prepayments		<u>91,223</u>	<u>0</u>
		<u>418,612</u>	<u>56,568,537</u>
Cash at bank and in hand		<u>2,105,355</u>	<u>16,204,506</u>
Total current assets		<u>2,523,967</u>	<u>72,773,043</u>
TOTAL ASSETS		<u><u>258,723,967</u></u>	<u><u>227,950,479</u></u>

Financial statements 1 July – 31 December

Balance sheet

DKK	Note	31/12 2022	30/6 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		125,100	125,000
Retained earnings		55,301,106	23,860,917
Total equity		55,426,206	23,985,917
Provisions			
Provisions for deferred tax		12,289,890	5,405,383
Total provisions		12,289,890	5,405,383
Liabilities other than provisions			
Non-current liabilities other than provisions			
	7		
Debt to credit institutions		153,591,169	0
Payables to group entities		33,045,474	0
		186,636,643	0
Current liabilities other than provisions			
Other credit institutions, current liabilities		0	114,449,146
Trade payables		637,851	83,581,976
Payables to group entities		281,953	0
Corporation tax		23,777	350,356
Other payables		5,526	167,701
Deferred income		217,491	0
Deposits		3,204,630	10,000
		4,371,228	198,559,179
Total liabilities other than provisions		191,007,871	198,559,179
TOTAL EQUITY AND LIABILITIES		258,723,967	227,950,479
Contractual obligations, contingencies, etc.	8		
Mortgages and collateral	9		
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Financial statements 1 July – 31 December

Statement of changes in equity

DKK	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Proposed extraordinary dividends</u>	<u>Total</u>
Equity at 1 July 2021	125,000	23,860,917	0	23,985,917
Cash capital increase	100	8,180,357	0	8,180,457
Transferred over the profit appropriation	0	23,259,832	5,000,000	28,259,832
Extraordinary dividends paid	0	0	-5,000,000	-5,000,000
Equity at 31 December 2022	<u>125,100</u>	<u>55,301,106</u>	<u>0</u>	<u>55,426,206</u>

Financial statements 1 July – 31 December

Notes

1 Accounting policies

The annual report of HERNINGVEJ 102, SILKEBORG ApS for 2021/22 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial statements of the period 1 July 2021 - 31 December 2022 are presented in DKK.

The Company has changed the financial reporting period from 1 July - 30 June to 1 January - 31 December. The transition period covers 1 July 2021 - 31 December 2022. Comparative figures have not been changed.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the company, and the value of the assets can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Rental revenue is recognised as income on a straight line basis over the lease period. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease period on a straight line basis.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise costs of administrative expenses and costs of premises.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs.

Fair value adjustment of investment property

Value adjustment of investment comprises value adjustment of property at fair value.

Financial income and expenses

Financial income and expenses comprise interest income and expense, etc.

Tax on profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Investment properties

Investment properties are initially measured at cost. Cost comprises purchase price and any directly attributable expenditure until the date when the property is ready for use. Investment property is subsequently measured at fair value, equivalent to the amount for which the individual property is deemed to be sellable to an independent purchaser at the balance sheet date.

The properties are valued using the discounted cash flow where a property's fair value is estimated based on the future cash-flows generated by the property discounted by the capitalization rate. The calculated value is adjusted for expected future change in rental value, voids, capital expenses and other special circumstances.

The valuation model applied is in accordance with the International Valuation Standards.

Investment properties are not depreciated.

Adjustment for the year of the property's fair value is recognised in the income statement.

Subsequent costs are recorded under investment properties, if it is probable that the company will gain an economic benefit from them. The cost for repairs and current maintenance are recognized in the income statement as incurred.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of insurance and subscription costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities related to borrowings are recognised at the received proceeds. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Liabilities relating to investment properties are measured at amortised cost.

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

Financial statements 1 July – 31 December

Notes

DKK	<u>1/7 2021- 31/12 2022</u>	<u>1/7 2020- 30/6 2021</u>
2 Staff costs		
Wages and salaries	0	558,000
Other social security costs	<u>0</u>	<u>2,855</u>
	<u>0</u>	<u>560,855</u>
Average number of full-time employees	<u>0</u>	<u>1</u>
3 Other financial income		
Interest income from group entities	0	202,395
Other financial income	<u>917,953</u>	<u>0</u>
	<u>917,953</u>	<u>202,395</u>
4 Other financial expenses		
Interest expense to group entities	1,591,162	0
Other financial costs	<u>2,270,826</u>	<u>68,849</u>
	<u>3,861,988</u>	<u>68,849</u>
5 Tax on profit for the year		
Deferred tax for the year	6,884,507	3,984,000
Adjustment of tax concerning previous years	<u>82,996</u>	<u>0</u>
	<u>6,967,503</u>	<u>3,984,000</u>

Financial statements 1 July – 31 December

Notes

6 Property, plant and equipment

DKK	Investment properties
Cost at 1 July 2021	132,599,156
Additions for the year	<u>70,226,020</u>
Cost at 31 December 2022	<u>202,825,176</u>
Revaluations at 1 July 2021	22,578,280
Revaluations for the year	<u>30,796,544</u>
Revaluations at 31 December 2022	<u>53,374,824</u>
Carrying amount at 31 December 2022	<u><u>256,200,000</u></u>

The management's estimate of the value of the investment properties is determined by market-conforming standards and is based on an assessment of the current returns, maintenance conditions, and of the required investment property returns.

The fair value of investment properties in the annual report is estimated by the Company's management. The fair value is calculated as capitalised earnings value of properties determined from the expected future rent, the current tenants' abilities to fulfil their contractual obligations, periods of vacancy, operating costs, maintenance needs, expected CAPEX investments and estimates of the return requirements. Based on this, a DCF method, that the management considers most suitable for the valuation, has been applied.

The return requirement estimates are based on information about the general regional development in return requirements and other relevant local conditions.

Key assumptions:

The property totalling 10,889 sqm. is located in Silkeborg and is mainly used for rental. The fair value of investment properties is estimated based on the future cash-flows generated by the property discounted by the capitalization rate.

An individually determined discounted interest rate of 6,5% consisting of a required rate of return of 4,5% and an inflation rate of 2,0% has been applied when valuating the property. According to the external report at 31 December 2022, the valuation amounts to DKK 256.2 million. Changes in estimated required rate of return for investment properties will affect the value of investment properties recognized in the balance sheet as well as value adjustments carried in the income statement.

Sensitivity analysis:

An increase of discounted interest rate by 0.5 percentage points would reduce the property value by DKK 7.4 million, and a decrease in discounted interest rate by 0.5 percentage points would increase the property value by DKK 7.8 million at the balance sheet date.

Financial statements 1 July – 31 December

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7 Non-current liabilities other than provisions

DKK	Total debt at 31/12 2022	Outstanding debt after five years
Debt to credit institutions	153,591,169	147,929,885
Payables to group entities	33,045,474	0
	<u>186,636,643</u>	<u>147,929,885</u>

8 Contractual obligations, contingencies, etc.

The Entity participates in a Danish joint taxation arrangement where Hygge GP 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.

9 Mortgages and collateral

The investment properties has been pledged as security for debt to banks in a total of 153,9 mDKK, of which 0,4 mDKK has been drawn as at 31/12 2022.

10 Related party disclosures

Consolidated financial statements

HERNINGVEJ 102, SILKEBORG ApS is part of the consolidated financial statements of Hygge Top Investors K/S, c/o CBRE A/S, Rued Langgaards Vej 8, 2300 København S, which is the smallest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Hygge Top Investors K/S can be obtained by contacting the Company at the address above.