Berlin KGI A/S

Gl. Torv 2, 1.
5800 Nyborg
CVR No. 31171083

Annual report 2020

The Annual General Meeting adopted the annual report on 25.05.2021

Jesper Kim Pedersen
Chairman of the General Meeting

Contents

Entity details

Entity

Berlin KGI A/S
Gl. Torv 2, 1.
5800 Nyborg

Business Registration No.: 31171083
Date of foundation: 08.01.2008
Registered office: Nyborg
Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Torben Hjort Friderichsen, chairman
Brian Djernes
Lars Melchior Kongsted Kjeldsen
Niels Peter Nielsen

Executive Board

Jesper Kim Pedersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
P. O. Box 10
5100 Odense

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Berlin KGI A/S for the financial year 01.01.2020 - 31.12.2020

The annual report is presented 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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.

Nyborg, 10.05.2021

Executive Board

Jesper Kim Pedersen

Board of Directors

Torben Hjort Friderichsen
chairman

Brian Djernes

Lars Melchior Kongsted Kjeldsen

Niels Peter Nielsen

Independent auditor's report

To the shareholders of Berlin KGI A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Berlin KGI A/S for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 consolidated financial statements and the parent 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 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 reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and 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 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 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 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 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 and 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.

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.

Odense, 10.05.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Per Krause Therkelsen
State Authorised Public Accountant
Identification No (MNE) mne19698

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	66,620	64,393	58,493	55,580	52,367
Gross profit/loss	222,186	182,363	141,075	274,928	109,378
Operating profit/loss	213,779	173,732	133,784	269,540	106,295
Net financials	(4,391)	(4,847)	(4,947)	(6,011)	(7,135)
Profit/loss for the year	176,624	142,581	107,842	216,563	83,792
Profit for the year excl. minority interests	176,622	142,579	107,841	214,157	77,401
Balance sheet total	1,528,386	1,343,731	1,177,553	1,041,150	747,216
Investments in property, plant and equipment	19,614	32,495	45,249	29,030	19,145
Equity	792,458	636,053	511,028	419,622	231,558
Equity excl. minority interests	792,440	636,037	511,014	419,609	220,960
Ratios					
Gross margin (%)	333.51	283.20	241.18	494.65	208.87
Net margin (%)	265.12	221.42	184.37	389.64	160.01
Return on equity (%)	24.73	24.86	23.18	66.86	38.20
Equity ratio (%)	51.85	47.33	43.40	40.30	29.57

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The purpose and activities of the Company are investment in rental properties, primarily residential properties, located in and around Berlin as well as related activities. The investments are made through German companies.

Development in activities and finances

The Group's profit for the year amounts to DKK 209,052 thousand before tax and DKK 176,624 thousand after tax. The profit is considered satisfactory and in line with the expectations for the year. The profit for the year is positively affected by a value adjustment of the investment properties of DKK 166,153 thousand.

Equity incl. minority interests amounts to DKK 792,440 thousand at 31 December 2020 compared to a consolidated balance sheet total of DKK 1,528,386 thousand.

Outlook

Net revenue and profit before value adjustment of properties in 2021 is expected at the level of or higher than in 2020.

Particular risks

The Company and the Group are affected by the interest development and the general development on the property market in Berlin.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law applies to most buildings in Berlin, except new apartment buildings completed after 1 January 2014 and price-bound housing. Most of the Group's investment properties are therefore governed by the "Mietendeckel". The "Mietendeckel" was declared invalid by the German federal court on 15 April 2021.

The "Mietendeckel" and the effects of the rent limitations has caused widespread uncertainty in the Berlin housing market, and the implications and expected duration of the "Mietendeckel", as well as the risk of new legislation detrimental to the housing market, for example legislation against converting investment properties into condominiums, are meanwhile assessed differently by buyers and sellers, causing a wider spread in market prices. The COVID-19 pandemic has also caused additional market uncertainty and lower transaction volume.

As a result of the additional market uncertainties at the balance date the Company and the Group has selected a conservative approach in the valuation of investment properties reflecting the current market situation and the risk related to "Mietendeckel".

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. The continued Coronavirus pandemic has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property and the added market uncertainties have been subsumed in the valuation of investment properties.

Consolidated income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue		66,620	64,393
Fair value adjustments of investment property		166,153	129,743
Other external expenses		(6,828)	(7,922)
Property costs		(3,759)	(3,851)
Gross profit/loss		**222,186**	**182,363**
Staff costs	2	(8,185)	(8,420)
Depreciation, amortisation and impairment losses		(222)	(211)
Operating profit/loss		**213,779**	**173,732**
Income from investments in associates		(336)	392
Other financial income	3	19	29
Other financial expenses		(4,410)	(5,268)
Profit/loss before tax		**209,052**	**168,885**
Tax on profit/loss for the year	4	(32,428)	(26,304)
Profit/loss for the year	5	**176,624**	**142,581**

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Investment property		1,476,273	1,296,428
Other fixtures and fittings, tools and equipment		233	416
Property, plant and equipment	6	**1,476,506**	**1,296,844**
Investments in associates		250	181
Other investments		388	388
Deposits		10,183	9,929
Other receivables		839	0
Financial assets	7	**11,660**	**10,498**
Fixed assets		**1,488,166**	**1,307,342**
Raw materials and consumables		231	166
Inventories		**231**	**166**
Trade receivables		3,927	1,089
Receivables from associates		1,053	1,404
Other receivables		1,489	788
Prepayments	8	853	74
Receivables		**7,322**	**3,355**
Cash		**32,667**	**32,868**
Current assets		**40,220**	**36,389**
Assets		**1,528,386**	**1,343,731**

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	9	4,444	4,444
Translation reserve		(2,441)	0
Retained earnings		754,881	613,815
Proposed dividend for the financial year		35,556	17,778
Equity belonging to Parent's shareholders		**792,440**	**636,037**
Equity belonging to minority interests		**18**	**16**
Equity		**792,458**	**636,053**
Deferred tax	10	151,368	123,062
Provisions		**151,368**	**123,062**
Mortgage debt		544,904	351,113
Deposits		10,195	9,941
Non-current liabilities other than provisions	11	**555,099**	**361,054**
Current portion of non-current liabilities other than provisions	11	12,649	207,829
Trade payables		2,256	1,970
Tax payable		2,239	4,209
Other payables		7,237	6,796
Deferred income	12	5,080	2,758
Current liabilities other than provisions		**29,461**	**223,562**
Liabilities other than provisions		**584,560**	**584,616**
Equity and liabilities		**1,528,386**	**1,343,731**
Events after the balance sheet date	1		
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Retained earnings DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	4,444	0	613,815	17,778	636,037
Ordinary dividend paid	0	0	0	(17,778)	(17,778)
Exchange rate adjustments	0	(2,441)	0	0	(2,441)
Profit/loss for the year	0	0	141,066	35,556	176,622
Equity end of year	**4,444**	**(2,441)**	**754,881**	**35,556**	**792,440**

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	16	636,053
Ordinary dividend paid	0	(17,778)
Exchange rate adjustments	0	(2,441)
Profit/loss for the year	2	176,624
Equity end of year	**18**	**792,458**

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		213,779	173,732
Amortisation, depreciation and impairment losses		222	211
Working capital changes	13	(3,901)	(2,212)
Value adjustment of investment properties		(166,153)	(129,743)
Cash flow from ordinary operating activities		**43,947**	**41,988**
Financial income received		19	29
Financial expenses paid		(4,410)	(5,268)
Taxes refunded/(paid)		(3,566)	(2,819)
Cash flows from operating activities		**35,990**	**33,930**
Acquisition etc. of property, plant and equipment		(19,350)	(32,502)
Acquisition etc. of financial assets		(331)	0
Cash flows from investing activities		**(19,681)**	**(32,502)**
Free cash flows generated from operations and investments before financing		**16,309**	**1,428**
Dividend paid		(17,778)	(17,778)
Raising of and instalment on loan		888	19,627
Cash flows from financing activities		**(16,890)**	**1,849**
Increase/decrease in cash and cash equivalents		**(581)**	**3,277**
Cash and cash equivalents beginning of year		32,868	29,575
Currency translation adjustments of cash and cash equivalents		380	16
Cash and cash equivalents end of year		**32,667**	**32,868**
Cash and cash equivalents at year-end are composed of:			
Cash		32,667	32,868
Cash and cash equivalents end of year		**32,667**	**32,868**

Notes to consolidated financial statements

1 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. The continued Coronavirus pandemic has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property and the added market uncertainties have been subsumed in the valuation of investment properties.

2 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	7,403	7,673
Other social security costs	905	747
Other staff costs	(123)	0
	8,185	**8,420**

Average number of full-time employees	28	22

	Remuneration of manage-ment 2020 DKK'000	Remuneration of manage-ment 2019 DKK'000
Total amount for management categories	1,357	1,506
	1,357	**1,506**

3 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from associates	12	19
Other interest income	7	10
	19	**29**

4 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	5,358	3,677
Change in deferred tax	28,861	23,484
Adjustment concerning previous years	(1,791)	(857)
	32,428	**26,304**

5 Proposed distribution of profit/loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	35,556	17,778
Extraordinary dividend distributed in the financial year	0	17,778
Retained earnings	141,066	107,023
Minority interests' share of profit/loss	2	2
	176,624	**142,581**

6 Property, plant and equipment

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	700,312	1,461
Exchange rate adjustments	(2,850)	(7)
Additions	19,278	336
Disposals	0	(295)
Cost end of year	**716,740**	**1,495**
Revaluations beginning of year	596,116	0
Exchange rate adjustments	(2,425)	0
Revaluations for the year	165,842	0
Revaluations end of year	**759,533**	**0**
Depreciation and impairment losses beginning of year	0	(1,045)
Exchange rate adjustments	0	5
Depreciation for the year	0	(222)
Depreciation and impairment losses end of year	**0**	**(1,262)**
Carrying amount end of year	**1,476,273**	**233**

The group's investment properties are, cf. the description in accounting policies, measured at fair value based on an internal estimate which are based on three calculated reference values on each property. The calculated reference values lie within a span of DKK 4m (2019: 50m) for the total property portfolio and are based on average required rate of return of 3.69% (2019: 4.50%), a price factor of 22.7 (2019: 18.8) and a sales price of DKK 18,614 per m2 (2019: 16,461 per m2). Building projects in progress are added to cost, respectively any lower recoverable amount.

All the Group's 18 properties are situated in and around Berlin and are primarily residential properties. Vacancy level for the portfolio is low.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law applies to most buildings in Berlin, except new apartment buildings completed after 1. January 2014 and price-bound housing. Most of the Group's investment properties are currently governed by the "Mietendeckel". The "Mietendeckel" was declared invalid by the German federal court on 15 April 2021.

The "Mietendeckel" and the effects of the rent limitations has caused widespread uncertainty in the Berlin housing market, and the implications and expected duration of the "Mietendeckel", as well as the risk of new legislation detrimental to the housing market, are meanwhile assessed differently by buyers and sellers, causing a wider spread in market prices. The COVID-19 pandemic has also caused additional market uncertainty and lower transaction volume.

7 Financial assets

	Investments in associates DKK'000	**Other investments DKK'000**	**Deposits DKK'000**	**Other receivables DKK'000**
Cost beginning of year	558	388	9,929	0
Additions	250	0	254	839
Cost end of year	**808**	**388**	**10,183**	**839**
Revaluations beginning of year	389	0	0	0
Revaluations end of year	**389**	**0**	**0**	**0**
Impairment losses beginning of year	(766)	0	0	0
Share of profit/loss for the year	(336)	0	0	0
Investments with negative equity value depreciated over receivables	155	0	0	0
Impairment losses end of year	**(947)**	**0**	**0**	**0**
Carrying amount end of year	**250**	**388**	**10,183**	**839**

Associates	**Registered in**	**Ownership %**
REK Berlin Home Service GmbH	Germany, Berlin	30.0
REMH ApS	Nyborg	25.0

8 Prepayments

Prepayments consist of prepaid expenses.

9 Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
A-Shares	16	250	4,000
B-Shares	444,445	0,001	444
	444,461		**4,444**

10 Deferred tax

	2020 DKK'000	2019 DKK'000
Property, plant and equipment	151,368	123,062
Deferred tax	**151,368**	**123,062**

Changes during the year	2020 DKK'000	2019 DKK'000
Beginning of year	123,062	99,533
Recognised in the income statement	28,861	23,484
Recognised directly in equity	(555)	45
End of year	**151,368**	**123,062**

11 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	12,649	207,829	544,904	143,519
Deposits	0	0	10,195	0
	12,649	**207,829**	**555,099**	**143,519**

12 Deferred income

Deferred income consists of prepayments from lessees.

13 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	(66)	64
Increase/decrease in receivables	(4,333)	593
Increase/decrease in trade payables etc.	498	(2,869)
	(3,901)	**(2,212)**

14 Contingent liabilities

The Group has 4 investment properties located on leased land. The lease agreements run until 2058, 2062, 2063 and 2064, respectively. At the expiry of the lease agreements, the buildings are passed to the owner of the land with compensation payment according to an expert fair value assessment. There is no comitment to pay rent for plots of land.

15 Assets charged and collateral

The Group has raised mortgage debt at a carrying amount of DKK 557,555 thousand at 31 December 2020, which is secured on investment properties at a carrying amount of DKK 1,326,855 thousand at 31 December 2020.

Deposits under fixed asset investments are held in escrow accounts and cover the deposits paid by the lessees.

16 Transactions with related parties

	Management DKK'000	Other related parties DKK'000
Remuneration to the Executive Board and the Board of Directors	1,357	0
Dividend to the shareholders	0	17,778
Interest (net) associates	0	10
Intercompany accounts (net) associates	0	1,208
Services - associates	0	6,931

The Company's related parties comprise the following: Significant influence – members of the Board of Directors and Executive Board.

17 Subsidiaries

	Registered in	Corporate form	Ownership %
Berlin KGI GmbH	Germany, Berlin	GmbH	100.0

Berlin KGI GmbH owns shares in 8 German subsidiaries. The Share of ownership amounts from 94% to 100%.
Disclosures on subsidiaries have been omitted in accordance with S. 97a(4) of the Danish Financial Statements Act.

Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Other external expenses		(248)	(300)
Gross profit/loss		**(248)**	**(300)**
Staff costs	2	(3,949)	(4,107)
Operating profit/loss		**(4,197)**	**(4,407)**
Income from investments in group enterprises		181,069	146,366
Income from investments in associates		(336)	389
Other financial income	3	536	261
Other financial expenses		(450)	(30)
Profit/loss for the year	4	**176,622**	**142,579**

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Investments in group enterprises		694,735	516,106
Investments in associates		250	181
Other receivables		839	0
Financial assets	5	**695,824**	**516,287**
Fixed assets		**695,824**	**516,287**
Receivables from group enterprises		95,232	118,718
Receivables from associates		1,053	1,404
Other receivables		280	0
Receivables		**96,565**	**120,122**
Cash		**852**	**278**
Current assets		**97,417**	**120,400**
Assets		**793,241**	**636,687**

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		4,444	4,444
Reserve for net revaluation according to the equity method		690,140	511,848
Retained earnings		62,297	101,964
Proposed dividend for the financial year		35,556	17,778
Equity		**792,437**	**636,034**
Other payables		0	88
Non-current liabilities other than provisions		**0**	**88**
Trade payables		38	87
Other payables		766	478
Current liabilities other than provisions		**804**	**565**
Liabilities other than provisions		**804**	**653**
Equity and liabilities		**793,241**	**636,687**
Events after the balance sheet date	1		
Assets charged and collateral	6		
Transactions with related parties	7		

Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	4,444	511,848	101,964	17,778	636,034
Ordinary dividend paid	0	0	0	(17,778)	(17,778)
Exchange rate adjustments	0	(2,441)	0	0	(2,441)
Profit/loss for the year	0	180,733	(39,667)	35,556	176,622
Equity end of year	**4,444**	**690,140**	**62,297**	**35,556**	**792,437**

Notes to parent financial statements

1 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. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

2 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	3,912	4,064
Other social security costs	31	32
Other staff costs	6	11
	3,949	**4,107**

Average number of full-time employees	5	5

	Remuneration of manage-ment 2020 DKK'000	Remuneration of manage-ment 2019 DKK'000
Total amount for management categories	1,357	1,506
	1,357	**1,506**

3 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	536	261
	536	**261**

4 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	176,622	142,579
	176,622	**142,579**

5 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
Cost beginning of year	3,880	558	0
Additions	0	250	839
Cost end of year	**3,880**	**808**	**839**
Revaluations beginning of year	512,226	0	0
Exchange rate adjustments	(2,440)	0	0
Share of profit/loss for the year	181,069	0	0
Revaluations end of year	**690,855**	**0**	**0**
Impairment losses beginning of year	0	(377)	0
Share of profit/loss for the year	0	(336)	0
Investments with negative equity value depreciated over receivables	0	155	0
Impairment losses end of year	**0**	**(558)**	**0**
Carrying amount end of year	**694,735**	**250**	**839**

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

Investments in associates	Registered in	Corporate form	Ownership %
REK Berlin Home Service GmbH	Germany, Berlin	GmbH	30.0
REMH ApS	Nyborg	ApS	25.0

6 Assets charged and collateral

The Entity has guaranteed for the subsidiaries' mortgages. The share of group enterprises' mortgage debt guaranteed by the Company has a carrying amount of DKK 433.371 thousand at 31.12.2020.

7 Transactions with related parties

	Management DKK'000	Other related parties DKK'000
Remuneration to the Executive Board and the Board of Directors	1,357	0
Interest (net) enterprises	0	536
Intercompany accounts (net) enterprises	0	96,439
Dividend to the shareholders	0	17,778

The Company's related parties comprise the following: Significant influence – members of the Board of Directors and Executive Board.

Accounting policies

Reporting class

This annual report has been prepared 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 consistent with those applied last year.

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 possible or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and 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. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.
Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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 one 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange rate adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from property operations includes rental income regarding letting of investment properties and related income from letting out. The lessees' contribution to cover the costs of the properties regarding heat supply and contributions to cover operating costs that eventually rest with the lessees are set off against paid costs in the balance sheet as other receivables or payables.

Fair value adjustments of investment property

Fair value adjustments of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value.

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.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

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

Amortisation, depreciation and impairment losses relating to equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities 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	5-7 years

Estimated useful lives and residual amounts are reassessed annually.

Other fixtures and fittings, tools and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property

On initial recognition, investment properties are recognised at cost which consists of the property's acquisition price plus any directly related acquisition costs.

After initial recognition, properties are measured at fair value, which represents the amount at which the individual property may be sold to an independent buyer.

Determination of the fair value of investment properties in Germany is based on an estimate. In making the estimate, three calculated reference values have been used for each property:

1. Fair value based on market price in proportion to rental income (price factor multiplied by rental income for one year)
2. Fair value based on market price per square metre
3. Fair value based on a yield-based calculation

Price factor in relation to annual rent and price per square metre are commonly used to express market value of properties in Germany.

The yield-based calculation is made according to principles that correspond in all material respects to comparable calculations for investment properties in Denmark, adapted to German market conditions. The calculation is based on the expected net earnings for the next year, adjusted to normal earnings and by using a required rate of return reflecting the market´s actual required rate of return for similar properties.

The value adjustments to fair value are recognised in the income statement as value adjustments of investment properties. Properties are not depreciated, as value impairments are included in the fair value adjustment.

Costs incurred that provide the properties with new or improved qualities compared to the date of acquisition are added to the properties' cost as improvements.

Gains and losses on disposal of investment properties are computed as the difference between the sales price less sales costs and the cost price according to the financial statements at the date of disposal.

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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity.

Group enterprises with negative equity values are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

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

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates’ equity value.

Associates with a negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method.

Investments in associates 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.

Other investments
Other investments comprise securities and shares measured at cost at the balance sheet date.

Inventories
Inventories consists of fuel oil for properties. Inventories are measured at the lower of cost using the FIFO method and net realisable value.

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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

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 re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

Mortgage debt
The mortgage debt concerning investment properties is measured at amortised cost.

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

Income 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.

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 intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

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 funds.