

BERLIN KGI A/S

Gl. Torv 2, 1. 4.

5800 Nyborg

Central Business Registration

No 31171083

Annual report 2019

The Annual General Meeting adopted the annual report on 27.05.2020

Chairman of the General Meeting

Name: Jesper Kim Pedersen

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Entity details

Entity

BERLIN KGI A/S
Gl. Torv 2, 1. 4.
5800 Nyborg

Central Business Registration No (CVR): 31171083

Founded: 08.01.2008

Registered in: Nyborg

Financial year: 01.01.2019 - 31.12.2019

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

Postboks 10

5100 Odense C

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 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 11.05.2020

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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

Independent auditor's report

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 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.

Odense, 11.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

Lars Rynord
State Authorised Public Accountant
Identification No (MNE) mne28680

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	64.393	58.493	55.580	52.367	48.130
Gross profit/loss	182.363	141.075	274.928	109.378	72.197
Operating profit/loss	173.732	133.784	269.540	106.295	69.798
Net financials	(4.847)	(4.947)	(6.011)	(7.135)	(9.898)
Profit/loss for the year	142.581	107.842	216.563	83.792	49.595
Profit/loss excl minority interests	142.579	107.841	214.157	77.401	49.248
Total assets	1.343.731	1.177.553	1.041.150	747.216	663.526
Investments in property, plant and equipment	32.495	45.249	29.030	19.145	14.814
Equity	636.053	511.028	419.622	231.558	188.369
Equity excl minority interests	636.037	511.014	419.609	220.960	184.146
Ratios					
Gross margin (%)	283,2	241,2	494,7	208,9	150,0
Net margin (%)	221,4	184,4	389,6	160,0	103,0
Return on equity (%)	24,9	23,2	66,9	38,2	24,9
Equity ratio (%)	47,3	43,4	40,3	29,6	27,8

In 2015 there has been a change in accounting policies concerning recognition of mortgages. The comparative figures and key figures and ratios have not been changed.

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
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

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

Consolidated profit before tax amounts to DKK 168,885 thousand, and after tax the profit for the year amounts to DKK 142,581 thousand. The profit is considered very satisfactory and is positively affected by the development on the property market in Berlin.

At 31 December 2019, the group equity incl. minority interests amounts to DKK 636,053 thousand compared to total consolidated assets of DKK 1,343,731 thousand.

Outlook

A profit is expected for the next financial year at the level of or higher than in 2019 before value adjustment of properties.

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 will apply 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 will therefore be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices.

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.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue		64.393	58.493
Fair value adjustments of investment property		129.743	92.558
Other external expenses		(7.922)	(7.951)
Property costs		(3.851)	(2.025)
Gross profit/loss		182.363	141.075
Staff costs	2	(8.420)	(7.087)
Depreciation, amortisation and impairment losses	3	(211)	(204)
Operating profit/loss		173.732	133.784
Income from investments in associates		392	155
Other financial income	4	29	197
Other financial expenses	5	(5.268)	(5.299)
Profit/loss before tax		168.885	128.837
Tax on profit/loss for the year	6	(26.304)	(20.995)
Profit/loss for the year	7	142.581	107.842

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Investment property		1.296.428	1.133.935
Other fixtures and fittings, tools and equipment		416	493
Property, plant and equipment	8	<u>1.296.844</u>	<u>1.134.428</u>
Investments in associates		181	0
Other investments		388	388
Deposits		9.929	8.652
Fixed asset investments	9	<u>10.498</u>	<u>9.040</u>
Fixed assets		<u>1.307.342</u>	<u>1.143.468</u>
Raw materials and consumables		166	230
Inventories		<u>166</u>	<u>230</u>
Trade receivables		1.089	1.595
Receivables from associates		1.404	1.737
Other receivables		788	870
Prepayments	11	74	78
Receivables		<u>3.355</u>	<u>4.280</u>
Cash		<u>32.868</u>	<u>29.575</u>
Current assets		<u>36.389</u>	<u>34.085</u>
Assets		<u>1.343.731</u>	<u>1.177.553</u>

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		4.444	4.444
Retained earnings		613.815	506.570
Proposed dividend		17.778	0
Equity attributable to the Parent's owners		636.037	511.014
Share of equity attributable to minority interests		16	14
Equity		636.053	511.028
Deferred tax	12	123.062	99.533
Provisions		123.062	99.533
Mortgage debt		351.113	329.324
Deposits		9.941	8.664
Non-current liabilities other than provisions	13	361.054	337.988
Current portion of long-term liabilities other than provisions	13	207.829	209.807
Trade payables		1.970	351
Income tax payable		4.209	4.573
Other payables		6.796	11.480
Deferred income	14	2.758	2.793
Current liabilities other than provisions		223.562	229.004
Liabilities other than provisions		584.616	566.992
Equity and liabilities		1.343.731	1.177.553
Events after the balance sheet date	1		
Associates	10		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend DKK'000
Equity beginning of year	4.444	506.570	0	0
Extraordinary dividend paid	0	0	(17.778)	0
Exchange rate adjustments	0	222	0	0
Profit/loss for the year	0	107.023	17.778	17.778
Equity end of year	4.444	613.815	0	17.778

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	14	511.028
Extraordinary dividend paid	0	(17.778)
Exchange rate adjustments	0	222
Profit/loss for the year	2	142.581
Equity end of year	16	636.053

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/loss		173.732	133.784
Amortisation, depreciation and impairment losses		211	204
Working capital changes	15	(2.212)	(32.632)
Value adjustment of investment properties		(129.743)	(92.558)
Cash flow from ordinary operating activities		41.988	8.798
Financial income received		29	197
Financial expenses paid		(5.268)	(5.299)
Income taxes refunded/(paid)		(2.819)	(3.303)
Cash flows from operating activities		33.930	393
Acquisition etc of property, plant and equipment		(32.502)	(45.160)
Cash flows from investing activities		(32.502)	(45.160)
Dividend paid		(17.778)	(17.778)
Raising of and instalment on loan		19.627	57.999
Cash flows from financing activities		1.849	40.221
Increase/decrease in cash and cash equivalents		3.277	(4.546)
Cash and cash equivalents beginning of year		29.575	34.100
Currency translation adjustments of cash and cash equivalents		16	21
Cash and cash equivalents end of year		32.868	29.575

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 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.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	7.673	6.390
Other social security costs	747	696
Other staff costs	0	1
	8.420	7.087
Average number of employees	22	21

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	1.506	1.124
	1.506	1.124

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	211	204
	211	204

	2019 DKK'000	2018 DKK'000
4. Other financial income		
Financial income from associates	19	18
Other interest income	10	76
Other financial income	0	103
	29	197

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
5. Other financial expenses		
Other interest expenses	5.062	5.176
Other financial expenses	206	123
	5.268	5.299
	2019 DKK'000	2018 DKK'000
6. Tax on profit/loss for the year		
Current tax	3.677	3.301
Change in deferred tax	23.484	17.691
Adjustment concerning previous years	(857)	3
	26.304	20.995
	2019 DKK'000	2018 DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	17.778	0
Extraordinary dividend distributed in the financial year	17.778	17.778
Retained earnings	107.023	90.063
Minority interests' share of profit/loss	2	1
	142.581	107.842

Notes to consolidated financial statements

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	667.778	1.326
Exchange rate adjustments	214	1
Additions	32.320	175
Disposals	0	(41)
Cost end of year	700.312	1.461
Revaluations beginning of year	466.157	0
Exchange rate adjustments	150	0
Revaluations for the year	129.809	0
Revaluations end of year	596.116	0
Depreciation and impairment losses beginning of year	0	(833)
Exchange rate adjustments	0	(1)
Depreciation for the year	0	(211)
Depreciation and impairment losses end of year	0	(1.045)
Carrying amount end of year	1.296.428	416

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 50m (2018: 11m) for the total property portfolio and are based on average required rate of return of 4,5% (2018: 4.75%), a price factor of 18.8 (2018: 17.7) and a sales price of DKK 16,461 per m² (2018: 14,257 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 will apply 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 will therefore be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices. However, in general it's expected that the "Mietendeckel" will negatively impact the real estate market in Berlin. We have made certain adjustments in the market price valuation to reflect the situation in the current market situation in Berlin as described above.

Notes to consolidated financial statements

An external valuer has been used for input to Management's determination of parameters in the 3 calculated reference values as well as the prospected value adjustment caused by the "Mietendeckel".

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000
9. Fixed asset investments			
Cost beginning of year	558	388	8.652
Additions	0	0	1.277
Cost end of year	558	388	9.929
Share of profit/loss for the year	389	0	0
Revaluations end of year	389	0	0
Impairment losses beginning of year	(558)	0	0
Investments with negative equity value depreciated over receivables	(208)	0	0
Impairment losses end of year	(766)	0	0
Carrying amount end of year	181	388	9.929

	Registered in	Equity inte- rest %
10. Associates		
REK Berlin Apartments Management GmbH	Germany, Berlin	30,0

11. Prepayments

Prepayments consist of prepaid expenses.

	2019 DKK'000	2018 DKK'000
12. Deferred tax		
Property, plant and equipment	123.062	99.533
	123.062	99.533
Changes during the year		
Beginning of year	99.533	
Recognised in the income statement	23.484	
Other changes	45	
End of year	123.062	

Notes to consolidated financial statements

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Mortgage debt	207.829	209.807	351.113	195.769
Deposits	0	0	9.941	0
	207.829	209.807	361.054	195.769

14. Short-term deferred income

Deferred income consists of prepayments from lessees.

	2019 DKK'000	2018 DKK'000
15. Change in working capital		
Increase/decrease in inventories	64	(75)
Increase/decrease in receivables	593	494
Increase/decrease in trade payables etc	(2.869)	(33.051)
	(2.212)	(32.632)

16. 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 commitment to pay rent for plots of land.

17. Assets charged and collateral

The Group has raised mortgage debt at a carrying amount of DKK 558,225 thousand at 31 December 2019, which is secured on investment properties at a carrying amount of DKK 1,217,250 thousand at 31 December 2019.

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

Notes to consolidated financial statements

18. Transactions with related parties

The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2019	2018
	DKK'000	DKK'000
Remuneration to the Executive Board and the Board of Directors	1,506	1,124
Dividend	17,778	17,778
Interest (net) associates	19	18
Intercompany accounts (net) associates	1,404	1,737
Services - associates	8,146	6,188

19. Subsidiaries

	Registered in	Corpo- rate form	Equity inte- rest %
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 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Other external expenses		(300)	(726)
Gross profit/loss		(300)	(726)
Staff costs	2	(4.107)	(3.594)
Operating profit/loss		(4.407)	(4.320)
Income from investments in group enterprises		146.366	111.909
Income from investments in associates		389	148
Other financial income	3	232	121
Other financial expenses		(1)	(17)
Profit/loss for the year	4	142.579	107.841

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Investments in group enterprises		516.106	481.559
Investments in associates		181	0
Fixed asset investments	5	<u>516.287</u>	<u>481.559</u>
Fixed assets		<u>516.287</u>	<u>481.559</u>
Receivables from group enterprises		118.718	27.912
Receivables from associates		1.404	1.738
Receivables		<u>120.122</u>	<u>29.650</u>
Cash		<u>278</u>	<u>1.031</u>
Current assets		<u>120.400</u>	<u>30.681</u>
Assets		<u>636.687</u>	<u>512.240</u>

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital	6	4.444	4.444
Reserve for net revaluation according to the equity method		511.848	476.913
Retained earnings		101.964	29.649
Proposed dividend		17.778	0
Equity		636.034	511.006
Other payables		88	0
Non-current liabilities other than provisions		88	0
Trade payables		87	254
Other payables		478	980
Current liabilities other than provisions		565	1.234
Liabilities other than provisions		653	1.234
Equity and liabilities		636.687	512.240
Events after the balance sheet date	1		
Assets charged and collateral	7		
Transactions with related parties	8		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	4.444	476.913	29.649	0
Extraordinary dividend paid	0	0	0	(17.778)
Exchange rate adjustments	0	227	0	0
Dividends from group enterprises	0	(112.046)	112.046	0
Profit/loss for the year	0	146.754	(39.731)	17.778
Equity end of year	4.444	511.848	101.964	0
			Proposed dividend DKK'000	Total DKK'000
Equity beginning of year			0	511.006
Extraordinary dividend paid			0	(17.778)
Exchange rate adjustments			0	227
Dividends from group enterprises			0	0
Profit/loss for the year			17.778	142.579
Equity end of year			17.778	636.034

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.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	4.064	3.569
Other social security costs	32	22
Other staff costs	11	3
	4.107	3.594
Average number of employees	5	4
	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	1.506	1.124
	1.506	1.124
	2019 DKK'000	2018 DKK'000
3. Other financial income		
Financial income arising from group enterprises	261	18
Exchange rate adjustments	(29)	103
	232	121
	2019 DKK'000	2018 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	142.579	107.841
	142.579	107.841

Notes to parent financial statements

	Investments in group enterprises DKK'000	Investments in associates DKK'000
5. Fixed asset investments		
Cost beginning of year	3.880	558
Cost end of year	3.880	558
Revaluations beginning of year	477.679	0
Exchange rate adjustments	225	0
Share of profit/loss for the year	146.367	0
Dividend	(112.045)	0
Revaluations end of year	512.226	0
Impairment losses beginning of year	0	(558)
Share of profit/loss for the year	0	181
Impairment losses end of year	0	(377)
Carrying amount end of year	516.106	181

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

	Registered in	Corporate form	Equity interest %
Investments in associates comprise:			
REK Berlin Apartments Management GmbH	Germany, Berlin	GmbH	30,0

	Number	Par value DKK'000	Nominal value DKK'000
6. Contributed capital			
A-Shares	16	250	4.000
B-Shares	444.445	0,001	444
	444.461		4.444

7. 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 447.734 thousand at 31.12.2019.

Notes to parent financial statements

8. Transactions with related parties

The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2019 DKK'000	2018 DKK'000
Remuneration to the Executive Board and the Board of Directors	1,506	1,124
Interest (net) group enterprises	242	18
Interest (net) associates	19	0
Intercompany accounts (net) group enterprises	118,718	27,912
Intercompany accounts (net) associates	1,404	1,738
Dividend to the shareholders	17,778	17,778

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 for the consolidated financial statements and the 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 possibly 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

Accounting policies

date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated 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.

Profits or losses from divestment of equity investments

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 as 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.

Accounting policies

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 of 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 adjustment 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.

Accounting policies

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

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.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

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
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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

Accounting policies

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.

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.

Accounting policies

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.

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.

Receivables

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

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.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Accounting policies

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 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 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.