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Erlika Holding ApS

Bundgårdsvej 60
9000 Aalborg
CVR No. 32270581

Annual report 2021

The Annual General Meeting adopted the annual report on 22.06.2022

Erik Bent Hansen
Chairman of the General Meeting

Contents

Entity details

Entity

Erlika Holding ApS
Bundgårdsvej 60
9000 Aalborg

Business Registration No.: 32270581
Registered office: Aalborg
Financial year: 01.01.2021 - 31.12.2021

Executive Board

Erik Bent Hansen
Lisbeth Simonsen Pelle

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Erlika Holding ApS for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of their operations for the financial year 01.01.2021 - 31.12.2021.

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.

Aalborg, 22.06.2022

Executive Board

Erik Bent Hansen

Lisbeth Simonsen Pelle

Independent auditor's report

To the shareholders of Erlika Holding ApS

Opinion
We have audited the consolidated financial statements and the parent financial statements of Erlika Holding ApS for the financial year 01.01.2021 - 31.12.2021, 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. 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 31.12.2021 and of the results of their operations for the financial year 01.01.2021 - 31.12.2021 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 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.

Aalborg, 22.06.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Birner Sørensen
State Authorised Public Accountant
Identification No (MNE) mne11671

Sami Nikolai El-Galaly
State Authorised Public Accountant
Identification No (MNE) mne42793

Management commentary

Primary activities

The primary activities of the Group are real estate investment and other investment activities.

Description of material changes in activities and finances

Net income for the year was a profit of DKK 7,760k. Net income is affected by fair value adjustment of investment proporties and cost of loan restructurering.

The operational income has continued to show a growth in 2021 but the gross profit in 2021 has been negatively affected by extraordinary maintenance costs as the group has invested in general updates and new remotely read consumption meters. The cost related to maintenance in 2021 has been DKK 1.253.055 compared to a normalized and historic level of 50-75 DKK/Sqm equal to DKK 500.000 to DKK 800.000.

In the financial year the properties Kastetvej 82 and Vesterbro 81 was bought.

Consolidated income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		**5,343,038**	**5,530,842**
Fair value adjustments of investment property		6,238,811	601,286
Depreciation, amortisation and impairment losses		(22,900)	(22,900)
Operating profit/loss		**11,558,949**	**6,109,228**
Other financial income	1	1,614,185	2,083,457
Other financial expenses	2	(3,086,472)	(3,925,714)
Profit/loss before tax		**10,086,662**	**4,266,971**
Tax on profit/loss for the year	3	(2,326,468)	(985,056)
Profit/loss for the year		**7,760,194**	**3,281,915**
Proposed distribution of profit and loss			
Retained earnings		7,760,194	3,281,915
Proposed distribution of profit and loss		**7,760,194**	**3,281,915**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Investment property		214,750,000	181,500,000
Other fixtures and fittings, tools and equipment		52,689	75,589
Property, plant and equipment	4	**214,802,689**	**181,575,589**
Fixed assets		**214,802,689**	**181,575,589**
Trade receivables		19,438	125,454
Receivables from group enterprises		11,878,165	18,447,855
Deferred tax		100,600	175,457
Other receivables		787,774	642,895
Prepayments		62,095	52,834
Receivables		**12,848,072**	**19,444,495**
Cash		**1,150,498**	**197,433**
Current assets		**13,998,570**	**19,641,928**
Assets		**228,801,259**	**201,217,517**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		125,000	125,000
Retained earnings		63,657,934	55,897,740
Equity		**63,782,934**	**56,022,740**
Deferred tax		15,915,303	13,207,443
Provisions		**15,915,303**	**13,207,443**
Mortgage debt		136,830,263	120,602,490
Other payables		716,700	1,033,676
Non-current liabilities other than provisions	5	**137,546,963**	**121,636,166**
Current portion of non-current liabilities other than provisions	5	1,030,939	1,158,075
Bank loans		4,357,552	4,428,610
Deposits		2,558,413	2,143,065
Prepayments received from customers		1,145,593	1,066,091
Trade payables		908,254	434,493
Joint taxation contribution payable		761,671	795,415
Other payables		793,637	325,419
Current liabilities other than provisions		**11,556,059**	**10,351,168**
Liabilities other than provisions		**149,103,022**	**131,987,334**
Equity and liabilities		**228,801,259**	**201,217,517**
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Consolidated statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125,000	55,897,740	56,022,740
Profit/loss for the year	0	7,760,194	7,760,194
Equity end of year	**125,000**	**63,657,934**	**63,782,934**

Notes to consolidated financial statements

1 Other financial income

	2021 DKK	2020 DKK
Financial income from group enterprises	1,207,341	1,424,052
Other financial income	406,844	659,405
	1,614,185	**2,083,457**

2 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	0	5,216
Other interest expenses	2,793,657	3,168,398
Exchange rate adjustments	11,206	0
Other financial expenses	281,609	752,100
	3,086,472	**3,925,714**

3 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	761,671	795,415
Change in deferred tax	1,589,545	218,094
Adjustment concerning previous years	(24,748)	(28,453)
	2,326,468	**985,056**

4 Property, plant and equipment

	Investment property DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	139,787,098	458,039
Addition through business combinations etc	14,871,896	0
Additions	12,139,293	0
Cost end of year	**166,798,287**	**458,039**
Depreciation and impairment losses beginning of year	0	(382,450)
Depreciation for the year	0	(22,900)
Depreciation and impairment losses end of year	**0**	**(405,350)**
Fair value adjustments beginning of year	41,712,902	0
Fair value adjustments for the year	6,238,811	0
Fair value adjustments end of year	**47,951,713**	**0**
Carrying amount end of year	**214,750,000**	**52,689**

Investment properties	Value	Normalized net earnings	Weighted average yield	Change in the yield of +0,5 %	Change in the yield of -0,5 %
Aalborg	167,150,000	7,095,000	4.35 %	-17,251,000	21,858,000
Nørresundby	21,900,000	1,145,000	5.23 %	-1,913,000	2,318,000
Copenhagen	25,700,000	1,013,000	4.01 %	-2,809,000	3,609,000
Total	**214,750.000**	**9,253,000**	**4.35 %**	**-21,573,000**	**27,785,000**

As described under accounting policies, investment property is measured at fair value using the return-based model. The Group's investment property consists of residential leases as well as a few commercial leases situated in Denmark. The investment properties are valued based on weighted average yields ranging from 4.00 – 5.28 %.

The majority of the Company's properties have been leased out in the financial year, and according to the market standard for similar properties, vacancy is not budgeted for in the assumptions for normalised operations due to the location of the properties.

An external real estate appraiser has not been used for the, valuation of the investment property however, when calculating the yield, management has used a combination of available market data and assessments made by real estate agent. The yield rate is determined by an weighted average between the rate of return associated with the properties individual leases, taking in to account the lease type, size, location, cost structure and the level of rent.

5 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK	Due within 12 months 2020 DKK	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Mortgage debt	637,188	450,227	136,830,263	118,725,517
Other payables	393,751	707,848	716,700	0
	1,030,939	**1,158,075**	**137,546,963**	**118,725,517**

6 Derivative financial instruments

Other payables include a negative fair value of interest rate swap of DKK 155k. The principal of the interest rate swap amounts to DKK 10,000k, and the remaining term to maturity is 1 year. The interest paid is a fixed interest rate at 2.85 %, and the interest received is a floating interest rate based on CIBOR 3M.
The interest rate swap does not meet the conditions of being treated as hedge accounting, and the change in fair value is therefore recognised on a continuous basis in the income statement under financial income and expenses.

The fair value is calculated based on the value stated by the bank.

7 Fair value information

	Financial instruments DKK	Investment property DKK
Fair value end of year	(154,851)	214,750,000
Unrealised fair value adjustments recognised in the income statement	392,173	6,238,811

8 Contingent liabilities

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which LPEH ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

9 Assets charged and collateral

Mortgage debt of DKK 137,832k is secured by way of mortgage on properties. The carrying amount of mortgaged properties comprises of DKK 214,750k.

Bank debt is secured by way of a mortage on properties, the mortgage deed constitutes DKK 9,877k. The carrying amount of mortgaged properties constitutes DKK 35,600k.

For security to the owners association in Glentevej 10, 2400 Copenhagen, there has been granted mortgages on properties, nominal DKK 52k.

10 Subsidiaries

	Registered in	Corporate form	Ownership %
Ejendomsselskabet VN 82 ApS	Aalborg	ApS	100.00
Ejendomsselskabet Kjellerupsgade 9, Aalborg ApS	Aalborg	ApS	100.00
Rantzausgade 1-5 ApS	Aalborg	ApS	100.00
Louisegade 17 ApS	Aalborg	ApS	100.00
Boliganpartsselskabet Boulevarden 26A, Aalborg	Aalborg	ApS	100.00
Prinsensgade 41 ApS	Aalborg	ApS	100.00
Ejendomsselskabet Danmarksgade 63 ApS	Aalborg	ApS	100.00
Danmarksgade 67 ApS	Aalborg	ApS	100.00
Glentevej 10 ApS	Aalborg	ApS	100.00
Fyensgade 42 ApS	Aalborg	ApS	100.00
Ejendomsselskabet Kastetvej 82 ApS	Aalborg	ApS	100.00
Vesterbro 81 ApS	Aalborg	ApS	100.00

Parent income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		**(185,133)**	**(269,816)**
Income from investments in group enterprises		7,630,744	3,009,131
Other financial income	1	1,686,722	2,119,777
Other financial expenses	2	(1,335,627)	(1,477,326)
Profit/loss before tax		**7,796,706**	**3,381,766**
Tax on profit/loss for the year	3	(36,512)	(99,851)
Profit/loss for the year		**7,760,194**	**3,281,915**
Proposed distribution of profit and loss			
Retained earnings		7,760,194	3,281,915
Proposed distribution of profit and loss		**7,760,194**	**3,281,915**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Investments in group enterprises		88,854,335	78,068,512
Financial assets	4	**88,854,335**	**78,068,512**
Fixed assets		**88,854,335**	**78,068,512**
Receivables from group enterprises		16,727,067	18,447,855
Receivables		**16,727,067**	**18,447,855**
Cash		**1,056,449**	**16,507**
Current assets		**17,783,516**	**18,464,362**
Assets		**106,637,851**	**96,532,874**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		125,000	125,000
Reserve for net revaluation according to equity method		60,011,109	51,709,457
Retained earnings		3,646,825	4,188,283
Equity		**63,782,934**	**56,022,740**
Other payables		0	78,076
Non-current liabilities other than provisions	5	**0**	**78,076**
Current portion of non-current liabilities other than provisions	5	154,851	468,948
Bank loans		2,093,120	2,166,795
Trade payables		42,373	37,779
Payables to group enterprises		39,782,077	37,658,685
Joint taxation contribution payable		36,512	99,851
Other payables		745,984	0
Current liabilities other than provisions		**42,854,917**	**40,432,058**
Liabilities other than provisions		**42,854,917**	**40,510,134**
Equity and liabilities		**106,637,851**	**96,532,874**
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Parent statement of changes in equity for 2021

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125,000	51,709,457	4,188,283	56,022,740
Transfer to reserves	0	8,301,652	(8,301,652)	0
Profit/loss for the year	0	0	7,760,194	7,760,194
Equity end of year	**125,000**	**60,011,109**	**3,646,825**	**63,782,934**

Notes to parent financial statements

1 Other financial income

	2021 DKK	2020 DKK
Financial income from group enterprises	1,294,549	1,460,751
Other financial income	392,173	659,026
	1,686,722	**2,119,777**

2 Other financial expenses

	2021 DKK	2020 DKK
Financial expenses from group enterprises	784,928	779,852
Other interest expenses	539,493	697,474
Exchange rate adjustments	11,206	0
	1,335,627	**1,477,326**

3 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	36,512	99,851
	36,512	**99,851**

4 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	25,688,147
Additions	3,155,079
Cost end of year	**28,843,226**
Revaluations beginning of year	52,380,365
Share of profit/loss for the year	7,630,744
Revaluations end of year	**60,011,109**
Carrying amount end of year	**88,854,335**

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

5 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK	Due within 12 months 2020 DKK
Other payables	154,851	468,948
	154,851	**468,948**

6 Derivative financial instruments

Other payables include a negative fair value of interest rate swap of DKK 155k. The principal of the interest rate swap amounts to DKK 10,000k, and the remaining term to maturity is 1 year. The interest paid is a fixed interest rate at 2.85 %, and the interest received is a floating interest rate based on CIBOR 3M.
The interest rate swap does not meet the conditions of being treated as hedge accounting, and the change in fair value is therefore recognised on a continuous basis in the income statement under financial income and expenses.

The fair value is calculated based on the value stated by the bank.

7 Fair value information

	Financial instruments DKK
Fair value end of year	(154,851)
Unrealised fair value adjustments recognised in the income statement	392,173

8 Contingent liabilities

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

9 Assets charged and collateral

The Company’s bank debt is secured by shares in subsidiary, Ejendomsselskabet Danmarksgade 63 ApS
Bank debt amounts to DKK 0 at the balance sheet date.

Accounting policies

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

The accounting policies applied to these 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 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.

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 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. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. 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 lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree’s assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Foreign currency translation

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

Derivative financial instruments

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

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

Income statement

Gross profit or loss

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

Revenue

Revenue consists of the year's accrued rental income and are recognized in the income statement as they are earned. Revenue is recognized exclusive VAT, taxes and discounts in connection with the sale and is measured at fair value.

Fair value adjustments of investment property

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and 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 intra-group profits or losses.

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

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	20 years

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:

Investment property

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

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

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example major refurbishments etc.

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 in the parent financial statements according to the equity method. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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 in equity.

Investments in group enterprises 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.

Deferred tax

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

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.

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

Cash
Cash comprises bank deposits.

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

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

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

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