

KLOSTERSTRÆDE 1 ApS

Nybrogade 12
1203 København K

CVR no. 36 39 27 03

Annual report for 2023

(11th Financial year)

Adopted at the annual general meeting
on 2 May 2024

Caspar Schultz
chairman

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of KLOSTERSTRÆDE 1 ApS for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

In our opinion, management's review includes a fair review of the matters dealt within the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 2 May 2024

Executive board

Caspar Schultz
Director

Grant Broadway
Director

Independent auditor's report

To the shareholder of KLOSTERSTRÆDE 1 ApS

Opinion

We have audited the financial statements of KLOSTERSTRÆDE 1 ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023 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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for 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 and 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 financial statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Frederiksberg, 2 May 2024
CVR no. 30 70 02 28

Henrik Reedtz
State Authorised Public Accountant
mne24830

Company details

The company

KLOSTERSTRÆDE 1 ApS
Nybrogade 12
1203 København K

CVR no.: 36 39 27 03

Reporting period: 1 January - 31 December 2023

Incorporated: 1 August 2014

Domicile: Copenhagen

Executive board

Caspar Schultz
Grant Broadway

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Management's review

Business review

The Company's main activity is to own and manage real estate and related services.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of DKK 1.483.711, and the balance sheet at 31 December 2023 shows equity of DKK 10.820.811.

As the company's purpose is investment in properties, the Company is affected by changes in the property market, including the general economic conditions. The market situation in the real estate sector is affected by uncertainty, as a result of high inflation and increasing interest rates. However, the company's activities have not been significantly affected by this.

Significant events occurring after the end of the financial year

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

Accounting policies

The annual report of KLOSTERSTRÆDE 1 ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2023 is presented in DKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross loss

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue.

Gross profit or loss comprises revenue, property costs and external expenses.

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue comprise rental income and tenant's contribution to overhead costs and is recognized in the income statement. Rental income is accrued to cover the period up to the end of the financial year.

Accounting policies

Other external costs

Other external costs include expenses related to administration.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Investment properties

Investment properties comprises investments in land and buildings for purposes of gaining a return on the invested capital in the form of regular operating income and/or capital gains on resale.

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

After initial recognition, the properties are measured at fair value which represents the amount at which the individual property may be sold to an independent buyer. The investment property has been valued based on an external estate agent's valuation using the Direct Capitalisation approach. Fair value adjustments for the financial year are recognised in the income statement.

On subsequent recognition, investment property is measured at cost less the year's depreciation and impairment losses. Investment properties are measured at fair value. Value adjustments of investment properties on subsequent recognition, investment property is measured at cost less the year's depreciation and impairment losses.

Accounting policies

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Liabilities

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Accounting policies

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

Income statement
1 January 2023 - 31 December 2023

	<u>Note</u>	<u>2023</u> DKK	<u>2022</u> DKK
Gross profit		-898.003	-973.607
Fair value adjustments of investment properties		<u>-500.000</u>	<u>-1.500.000</u>
Profit/loss before net financials		-1.398.003	-2.473.607
Financial income		54.529	0
Financial costs		<u>-58.119</u>	<u>-64.797</u>
Profit/loss before tax		-1.401.593	-2.538.404
Tax on profit/loss for the year	1	<u>-82.118</u>	<u>561.629</u>
Profit/loss for the year		<u>-1.483.711</u>	<u>-1.976.775</u>
 Recommended appropriation of profit/loss			
Retained earnings		<u>-1.483.711</u>	<u>-1.976.775</u>
		<u>-1.483.711</u>	<u>-1.976.775</u>

Balance sheet at 31 December 2023

	<u>Note</u>	<u>2023</u> DKK	<u>2022</u> DKK
Assets			
Investment properties		16.500.000	17.000.000
Tangible assets	2	16.500.000	17.000.000
Total non-current assets		16.500.000	17.000.000
Trade receivables		6.923	0
Receivables from group enterprises		17.733	17.733
Other receivables		59.818	103.562
Corporation tax		198.126	464.939
Receivables		282.600	586.234
Cash at bank and in hand		4.983.229	6.744.618
Total current assets		5.265.829	7.330.852
Total assets		21.765.829	24.330.852

Balance sheet at 31 December 2023

	<u>Note</u>	<u>2023</u> DKK	<u>2022</u> DKK
Equity and liabilities			
Share capital		50.001	50.001
Retained earnings		10.770.810	12.254.523
Equity		<u>10.820.811</u>	<u>12.304.524</u>
Provision for deferred tax		1.449.320	1.413.742
Total provisions		<u>1.449.320</u>	<u>1.413.742</u>
Mortgage loans		9.030.000	9.030.000
Total non-current liabilities	3	<u>9.030.000</u>	<u>9.030.000</u>
Trade payables		69.858	0
Payables to group enterprises		50.153	1.172.153
Other payables		345.687	410.433
Total current liabilities		<u>465.698</u>	<u>1.582.586</u>
Total liabilities		<u>9.495.698</u>	<u>10.612.586</u>
Total equity and liabilities		<u><u>21.765.829</u></u>	<u><u>24.330.852</u></u>
Staff costs	4		
Contingent liabilities	5		
Mortgages and collateral	6		
Related parties and ownership structure	7		

Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2023	50.001	12.254.521	12.304.522
Net profit/loss for the year	0	-1.483.711	-1.483.711
Equity at 31 December 2023	<u>50.001</u>	<u>10.770.810</u>	<u>10.820.811</u>

Notes

	<u>2023</u>	<u>2022</u>
	DKK	DKK
1 Tax on profit/loss for the year		
Current tax for the year	-198.126	-304.683
Deferred tax for the year	-110.000	-253.766
Adjustment of tax concerning previous years	244.666	-3.180
Adjustment of deferred tax concerning previous years	145.578	0
	<u>82.118</u>	<u>-561.629</u>

2 Assets measured at fair value

	<u>Investment pro- perties</u>
Cost at 1 January 2023	12.600.000
Cost at 31 December 2023	<u>12.600.000</u>
Revaluations at 1 January 2023	4.400.000
Revaluations for the year	<u>-500.000</u>
Revaluations at 31 December 2023	<u>3.900.000</u>
Carrying amount at 31 December 2023	<u>16.500.000</u>

Disclosure of the assumptions underlying fair value calculations of assets and liabilities

The fair value is based on a level 3 assessment. The investment property has been valued based on an external estate agent's valuation using the Direct capitalisation approach. The estate agent has set the required rate of return at 6.09%. The budgeted rental income has been determined based on leases earlier entered into, as the tenant Neye has vacated the property in November 2020. It is expected, that a new tenant will be found, why the valuation is based on the earlier tenant contract. The operating expenses of the property - including maintenance costs that often have an aperiodic structure - have been determined using an on-average basis. The return set for the year has been capitalised by the required rate of return defined. Based on this, the investment property has been recognized at DKK 16.500.000.

Notes

2 Assets measured at fair value (continued)

The assumptions below are based on the total value of DKK 16.500.000. Gross income per sqm: DKK 1.699 Net income per sqm: DKK 1.551, Gross rental value per sqm: DKK 1.699.

The sensitivity related to the calculation can be reflected as follows:

Value at a rate of return of 5.84% (6.09% less 0.25%) DKK 17.206.335.

Value at a rate of return of 6.34% (6.09% plus 0.25%) DKK 15.849.369.

The valuation of the property is based on estimates and relies on a number of uncertain factors, including expected developments in the property market and the attractiveness of the property. The Company believes that the external estate agent's valuation is the best measure of the value of the property at 31 December 2023.

3 Long term debt

	Debt at 1 January 2023	Debt at 31 December 2023	Instalment next year	Debt outstanding after 5 years
Mortgage loans	9.030.000	9.030.000	0	8.072.858
	9.030.000	9.030.000	0	8.072.858

During 2023 there was a re-pricing of the bonds and interest rate was changed to 0.581% (inclusive of margin). Also, loan maturitydate was extended for 5 years until March 2026 during 2021.

4 Staff costs

The company has no employees.

5 Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Vimmelskafte 30 Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the income year 2015 for income taxes etc. for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Notes

6 Mortgages and collateral

Conservative gearing in form of third party senior bank debt are secured in way of first ranking property.

Assets worth a total of DKK 16.500.000 have been pledged as collateral or otherwise charged. The pledged assets comprises of investment property.

7 Related parties and ownership structure

Controlling interest

- The Company is 100 % owned by Vimmelskftet 30 Holding ApS.
- Klosterstræde 1 ApS is included in the consolidated financial statements for M&G European Property Fund SICAV-FIS at the lowest and highest level.
Registered office: 16, Boulevard Royal, L - 2449 Luxembourg