



Annual Report for

Capital Four - Strategic Lending Fund K/S

36901667

Annual Report was approved at
the Annual General Meeting
18. April 2024

Emil Skov
Chairman

Contents

Contents	2
Submission information	3
Statement by management on the annual report	5
Auditor's reports	7
Management's review	10
Accounting policies	12
Income Statement 1. January 2023 - 31. December 2023	15
Balance	16
Assets	16
Liabilities	17
Notes	18
Note 1.....	18
Note 2.....	18
Note 3.....	19
Note 4.....	20
Note 5.....	20

Submission information

Report

Information on type of submitted report

Årsrapport

Entity

Identification number [CVR]

36901667

Name

Capital Four - Strategic Lending Fund K/S

Date of foundation

2015-05-20

Registered office

Copenhagen

Address , street name

Sundkrogsgade

Address , street building identifier

21

Address , post code identifier

DK-2100

Address , district name

Copenhagen

Auditor

Identification number

mne24732

First name and surname

Anders Duedahl-Olesen

Identification number [CVR] of audit firm

30700228

Name of audit firm

EY Godkendt Revisionspartnerselskab

Description

State Authorised Public Accountant

Address , street name

Dirch Passers Alle

Address , street building identifier

36

Address , post code identifier

DK-2000

Address , district name

Frederiksberg

Supervisory board

First name and surname of member (1)

Niels Christian Wedell-Wedellsborg

Title of member (1)

chairman

First name and surname of member (2)

Lone Sauer

First name and surname of member (3)

Søren Søgaard

Information on enterprise submitting report

Identification number [CVR] of submitting enterprise

21625744

Name of submitting enterprise

Intertrust Denmark A/S

Address of submitting enterprise, street and number

Sundkrogsgade 21

Address of submitting enterprise, post code and district name

2100 København Ø

Other informations

Information on type of submitted report

Årsrapport

Reporting period start date

2023-01-01

Reporting period end date

2023-12-31

Preceding reporting period start date

2022-01-01

Preceding reporting period end date

2022-12-31

Date of general meeting or date of approval on annual report meeting	2024-04-18
First name and surname of chairman of general meeting or person, who acts as chairman	Emil Skov
Class of reporting entity	Regnskabsklasse B
Type of auditor assistance	Revisionspåtegning
Tool for preparing the XBRL-instance document	xWizard version 1.1.1262.0, by EasyX Aps. www.easyx.eu
Currency:	DKK

Internal

Statement by management on the annual report

Statement by executive and supervisory boards

Statement by management on the annual report

Identification of approved annual report

Today the board of directors has discussed and approved the annual report of Capital Four - Strategic Lending

Fund K/S for the financial year 1 January - 31 December 2023.

Confirmation that annual report is presented in accordance with requirements provided for by legislation, any standards and requirements provided by articles of association or by agreement

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

Confirmation that financial statement gives true and fair view of assets, liabilities, equity, financial position and results

In our opinion, the financial statements give a true and fair view of the limited partnership's financial position

at 31 December 2023 and of the results of the limited partnership's operations for the financial year 1 January - 31 December 2023.

Management's statement about management's review

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

Recommendation for approval of annual report by general meeting

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

Date of approval of annual report

Copenhagen, 22. March 2024

Supervisory board

Niels Christian Wedell-Wedellsborg
chairman

Lone Sauer

Søren Søgaard

Internal

Auditor's reports

The independent auditor's reports (Audit)

Independent auditor's report

To the limited partners of Capital Four - Strategic Lending Fund K/S

Opinion on audited financial statements (audit)

Opinion

We have audited the financial statements of Capital Four - Strategic Lending Fund K/S for the financial year 1

January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet 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.

Type of opinion on audited financial statements (Audit)

Konklusion

Basis for conclusion (Audit)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for

Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our opinion.

Type of basis for opinion on audited financial statements (audit)

Grundlag for konklusion

Statement on management's review [Auditor's report on audited financial statements]

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, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Statement of executive and supervisory board's responsibility for financial statements (Audit)

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.

Statement of auditor's responsibility for the audit of the financial statements (Audit)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

Copenhagen

22. March 2024

Anders Duedahl-Olesen

State Authorised Public Accountant

mne24732

EY Godkendt Revisionspartnerselskab

30700228

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Management's review

Management's review

Management's review

Description of significant activities of entity

The Limited Partnership's main activities

The Limited Partnership's objective and investment strategy is to invest in a diversified portfolio of European

sub-investment grade high yield bonds and loans, as well as to directly extend bilateral loans to Danish and Nordic borrowers, for the latter with a focus on subordinated lending. The strategy applies fundamental credit research and selection skills coupled with careful portfolio construction and risk management.

Description of development in activities and financial affairs

Business review

Although Pan-European transaction volumes in 2023 remained at a lower level compared to 2022, the lower

middle market in the Nordics and Northern Europe displayed more resilience. This is in part due to the substitution of banks, who continued to be reluctant to lend and increased their risk-appetite only gradually.

However, primary transaction activity was overall retrenched. Buy-and-build activity remained to be the key

driver for deal flow, as sponsors are seeking to create additional value before their portfolio companies are

being brought to market for exit. Margins have normalized compared to the elevated levels observed in 2022, with opening leverage ratios going down compared to 2022 and deals are structured with solid ICRs.

The investors return (IRR) on investments in 2023 measured since inception, gross of costs and expenses was

7.90% (at cost). TVPI (gross) is at 1.29x. The fund currently holds five holdings, of which three investments are covered by the Distressed Team.

Disclosures

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Disclosures pursuant to the Danish Alternative Investment Fund Managers etc. Act section 61(3)

Information on the remuneration of the management of Capital Four AIFM A/S is stated in the annual report

of Capital Four AIFM A/S which is archived at the Danish Business Authority.

Description of significant events occurring after end of reporting period

Significant events occurring after end of reporting period

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

Description of key figures and financial ratios

	Current year	Previous year	2 years ago	3 years ago	4 years ago
Average number of employees	0				

Internal

Accounting policies

Disclosure of accounting policies

Accounting policies

The annual report of Capital Four - Strategic Lending Fund K/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B elective choice of certain provisions applying to reporting class C entities. The presentation of the financial statements is adjusted to the limited partnership's special activities.

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

The annual report for 2023 is presented in TDKK.

Class of reporting entity

Regnskabsklasse B

Description of methods of recognition and measurement basis [including bases used for revaluations, depreciation, amortisation, estimated residual value, useful life, write-downs, upward and downward adjustments]

Basis of recognition and measurement

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at

the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date

and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

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

limited partnership 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 limited partnership 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.

Accounting policies applied to balance sheet items

Balance sheet

Assets

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement

is based on the most advantageous market, i.e. the market that maximises the prices of the asset or liability

less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based

on the fair value hierarchy, see below

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Description of methods of recognition and measurement basis of investments

Fixed asset investments

Investments in associates consists of investments in unlisted companies and are measured at fair value.

Revaluations and reversals hereof are taken directly to equity.

Bank loans comprising Danish bankloans are held to maturity and measured at amortised cost. Realised capital gains and losses are amortised over the lending period and recognised in the income statement as part of "Profit/Loss on investment activities".

If the credit risk has increased significantly or the loan is in default or otherwise impaired, management exercises judgement and uses estimates and assumptions to calculate the impairment amount, which is based on future cash flows.

Description of methods of recognition and measurement basis of receivables

Receivables

Other receivables comprise interest receivables and trade settlement balances and are measured at amortised cost.

Description of methods of recognition and measurement basis of cash and cash equivalents

Cash and cash equivalents

Cash comprise cash in custodian bank.

Current asset investments

Other securities and investments comprising listed bonds are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price (Level 1).

Description of methods of recognition and measurement basis of liabilities other than provisions

Liabilities

Other payables are measured at net realisable value.

Description of methods of recognition and measurement basis of equity

Equity

Revaluation reserve

The reserve comprises revaluations of investments in associates relative to cost. The reserve can be eliminated in case of losses, realization of investments or a change in accounting estimates. The reserve cannot be recognized at a negative amount.

Accounting policies applied to income statement items

Income statement

Description of methods of recognition and measurement basis of revenue

Profit/loss on investment activities

Profit/loss on investment activities comprise realised and unrealised capital gains and losses on securities and

derivative financial instruments, non-refundable share of dividend taxes as well as interest income and expenses on securities.

Investment in associates measured at fair value with unrealised losses are recognised in the income statement and recognised directly under the revaluation reserve under the equity if gains.

Income and expenses are recognised in the income statement at the amounts relating to the financial year.

Description of methods of recognition and measurement basis of gains external expenses

Other external expenses

Other external expenses include costs incurred during the year for fund management.

Description of methods of recognition and measurement basis of finance income and expenses

Financial income and expenses

Financial income and expenses include interests etc. not related to investment activities.

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Income Statement 1. January 2023 - 31. December 2023

	Note	01-01-2023 31-12-2023 x1000 DKK	01-01-2022 31-12-2022 x1000 DKK
Gross			
Revenue		-2.205	-22.964
Other external expenses		-3.570	-4.589
Ordinary			
Other finance income		346	0
Other finance expenses		-3	-228
Profit (loss) from ordinary activities before tax		-5.432	-27.781
Tax expense		0	0
Profit (loss)		-5.432	-27.781
Proposed distribution of profit (loss) etc.			
Transferred to (from) retained earnings		-5.432	-27.781
Profit (loss)			

Balance

Assets

	Note	31-12-2023 x1000 DKK	31-12-2022 x1000 DKK
Assets...			
Investments...			
Long-term investments in associates	2	24.458	25.077
Other long-term receivables		324.531	325.078
Investments i alt:		348.989	350.155
Non-current assets		348.989	350.155
Current assets...			
Other short-term receivables		3.904	3.741
Receivables		3.904	3.741
Other short-term investments		32.794	41.557
Cash and cash equivalents		5.998	5.834
Current assets i alt:		42.696	51.132
Assets i alt:		391.685	401.287

Liabilities

	Note	31-12-2023 x1000 DKK	31-12-2022 x1000 DKK
Liabilities and equity...			
Equity...			
Contributed capital		1.000.000	1.000.000
Revaluation reserve		4.904	8.871
Retained earnings		-613.951	-608.519
Equity i alt:	3	390.953	400.352
Liabilities other than provisions...			
Other payables including tax payables, liabilities other than provisions (short-term)		732	935
Short-term liabilities other than provisions		732	935
Liabilities other than provisions i alt:		732	935
Liabilities and equity i alt:		391.685	401.287
Disclosure of employee expense	1		
Disclosure of contingent liabilities	4		
Disclosure of significant events occurring after end of reporting period	5		

Notes

Note 1

Disclosure of employee expense

Notes

Staff costs

There are no employees in the limited partnership.

Note 2

Disclosure of investments

Investments in associates

	2023	2022
	TDKK	TDKK
Cost at 1 January 2023	17.555	1.434
Additions for the year	3.348	16.207
Disposals for the year	-	- 86
Cost at 31 December 2023	20.903	17.555
Revaluations at 1 January 2023	7.522	- 1.434
Disposals for the year	-	86
Revaluations for the year, net	- 3.967	8.871
Write-downs of investments for the year	-	- 1
Revaluations at 31 December 2023	3.555	7.522
Carrying amount at 31 December 2023	24.458	25.077

Investment in associates measured at fair value with unrealised losses are recognised in the income

statement and recognised directly under the revaluation reserve under the equity if gains.

The value of unlisted equity investments (level 3 in the fair value hierarchy) is assessed quarterly on the basis of a scenario based discounted cash flow and a multiple model for PayPerWash International ApS and furthermore a multiple model for Isadora Holding I AB.

The required rate of return (WACC) and the multiple is determined based on comparable industries.

Other input is determined by Management.

Investments in associates are specified as follows

Name	Registered office	Ownership interest	Equity (100% TDKK)	Profit/loss for the year (100% TDKK)
PayPerWash International ApS	Jyllinge	37%	- 3.388	- 1.879
Isadora Holding I AB	Malmö	50%	83.899	233.696

Note 3

Disclosure of equity

Limited partners' capital

	Share capital TDKK	Revaluation Reserve TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January 2023	1.000.000	8.871	- 608.519	400.352
Revaluation for the year	-	- 3.967	-	- 3.967
Net profit/loss for the year	-	-	- 5.432	- 5.432
Equity at 31 December 2023	1.000.000	4.904	- 613.951	390.953

The limited partnership's capital is divided into limited partnership interest of DKK 1 of a nominal value of TDKK 1.

The limited partnership's capital has been unchanged since the establishment.

Note 4

Disclosure of contingent liabilities

Contingent liabilities

As part of the investment in PayPerWash International ApS, Capital Four - Strategic Lending Fund K/S has a remaining commitment of TDKK 15,938 for further investment in the company.

Note 5

Disclosure of significant events occurring after end of reporting period

Subsequent events

On March 21 2024 the Limited Partnership obtained approval from the Danish Financial Supervisory Authority for the enforcement of a share pledge and the subsequent take-over of a portfolio company as a result of a restructuring.