

Block GKL3 ApS

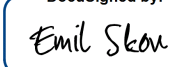
Adelgade 15, 2., 1304 København K

CVR no. 36 96 04 77

Annual report 2022

Approved at the Company's annual general meeting on 2 May 2023

Chair of the meeting:

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Emil Skov

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Block GKL3 ApS for the financial year 1 January - 31 December 2022.

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 financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

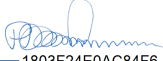
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 2 May 2023
Executive Board:

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Anders Skovgaard Klingbeil

Board of Directors:

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Peter Matzen Drachmann
Chairman

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Anders Skovgaard Klingbeil

DocuSigned by:

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Nathalie Marion-Denise
Winkelmann

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Albert Cornelis Tol

Independent auditor's report

To the shareholders of Block GKL3 ApS

Opinion

We have audited the financial statements of Block GKL3 ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 the IESBA Code.

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 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 as to 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 the 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.

Independent auditor's report

- ▶ 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 2 May 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

DocuSigned by:



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Kaare K. Lendorff

State Authorised Public Accountant
mne33819

Management's review

Company details

Name	Block GKL3 ApS
Address, Postal code, City	Adelgade 15, 2., 1304 København K
CVR no.	36 96 04 77
Established	30 June 2015
Registered office	København
Financial year	1 January - 31 December
Board of Directors	Peter Matzen Drachmann, Chairman Anders Skovgaard Klingbeil Nathalie Marion-Denise Winkelmann Albert Cornelis Tol
Executive Board	Anders Skovgaard Klingbeil
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The Company's objective is to buy and possess real estate and other hereby related activities.

Financial review

The income statement for 2022 shows a loss of DKK 4,533 thousand against a profit of DKK 8,117 thousand last year, and the balance sheet at 31 December 2022 shows equity of DKK 43,912 thousand. Management considers the Company's financial performance in the year satisfactory.

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.

The uncertainty related to interest rates and yields has created a gap between buyers' and sellers' expectation to prices of properties which is reflected in the lower transaction volume for investment properties in late 2022.

This has been reflected in the valuation of the company's properties.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
	Gross profit	11,079	10,547
	Fair value adjustment of investment property	-7,250	8,700
	Profit before net financials	3,829	19,247
3	Financial expenses	-8,973	-8,959
	Profit/loss before tax	-5,144	10,288
4	Tax for the year	611	-2,171
	Profit/loss for the year	-4,533	8,117
	Recommended appropriation of profit/loss		
	Proposed dividend recognised under equity	1,156	5,219
	Retained earnings/accumulated loss	-5,689	2,898
		-4,533	8,117

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
6	Investment property	362,250	369,500
		<u>362,250</u>	<u>369,500</u>
	Total fixed assets	<u>362,250</u>	<u>369,500</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprises	0	2,493
	Other receivables	236	79
	Prepayments	41	36
		<u>277</u>	<u>2,608</u>
	Cash	<u>6,543</u>	<u>7,787</u>
	Total non-fixed assets	<u>6,820</u>	<u>10,395</u>
	TOTAL ASSETS	<u>369,070</u>	<u>379,895</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	80	80
	Retained earnings	42,676	48,365
	Dividend proposed	1,156	5,219
	Total equity	<u>43,912</u>	<u>53,664</u>
	Provisions		
	Deferred tax	30,458	32,020
	Total provisions	<u>30,458</u>	<u>32,020</u>
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Mortgage debt	175,000	175,000
	Payables to group entities	112,146	112,146
		<u>287,146</u>	<u>287,146</u>
	Current liabilities other than provisions		
	Prepayments	1,431	1,373
	Trade payables	785	1,106
	Payables to group enterprises	487	0
	Joint taxation contribution payable	463	0
	Deposits	4,292	4,166
	Other payables	96	420
		<u>7,554</u>	<u>7,065</u>
	Total liabilities other than provisions	<u>294,700</u>	<u>294,211</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>369,070</u></u>	<u><u>379,895</u></u>

- 1 Accounting policies
- 2 Staff costs
- 8 Contractual obligations and contingencies, etc.
- 9 Collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed	Total
Equity at 1 January 2022	80	48,365	5,219	53,664
Transfer through appropriation of loss	0	-5,689	1,156	-4,533
Dividend distributed	0	0	-5,219	-5,219
Equity at 31 December 2022	80	42,676	1,156	43,912

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Block GKL3 ApS for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Income statement

Revenue

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

Revenue (rent) is recognized in the income statement, when the company has achieved final rights for the sale. Revenue is recognized linear over the terms of the contracts.

Gross profit

The items revenue, property expenses and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Property expenses

Property expenses include expenses relating to renting out the Company's investment property, including expenses relating to running and maintaining such property.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investment property

On initial recognition, investment property is measured at cost. Investment property is subsequently measured at fair value, and the value adjustment for the year is recognised in the income statement under the item "Fair value adjustment of investment property". The fair value is based on the expected future cash flows for the investment property.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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 has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payables to credit institutions

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other payables

Other payables are measured at net realisable value.

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 price 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).

Financial statements 1 January - 31 December

Notes to the financial statements

2 Staff costs

The Company has no employees.

DKK'000	2022	2021
3 Financial expenses		
Interest expenses, group entities	6,168	6,168
Other financial expenses	2,805	2,791
	<u>8,973</u>	<u>8,959</u>
4 Tax for the year		
Estimated tax charge for the year	950	0
Deferred tax adjustments in the year	-1,561	2,171
	<u>-611</u>	<u>2,171</u>

5 Property, plant and equipment

DKK'000	Investment property
Cost at 1 January 2022	<u>233,980</u>
Cost at 31 December 2022	<u>233,980</u>
Revaluations at 1 January 2022	135,520
Value adjustments for the year	<u>-7,250</u>
Revaluations at 31 December 2022	<u>128,270</u>
Carrying amount at 31 December 2022	<u>362,250</u>

Note 9 provides more details on security for loans, etc. as regards property, plant and equipment.

6 Investment property

Fair value estimation

The fair value of investment property has been estimated for every single property by discounting the expected, future cash flows, using a relevant discount factor. Expected future cash flows are based on budgets, approved by management, for the coming 10-year period and an estimated terminal value for the remaining life of the property concerned. The discount factor comprises the risk-free interest rate and a risk premium for the property concerned.

JLL is as independent valuer consulted for purposes of estimating the fair values.

Significant fair value assumptions:

The most significant fair value assumptions are:

Residential area (total): 9,298 sqm

Vacancy based on area: 1.67%

Net Initial Yield 3.71%:

Average rent: 1,831 DKK/sqm/year (actual rent)

Operating costs: 387 DKK/sqm/year (estimated)

Maintenance costs: 30 DKK/sqm/year (year 1-5) (estimated)

Maintenance costs: 60 DKK/sqm/year (year 6 and going forward) (estimated)

Administration fee: 3,000 DKK/unit/year (estimated)

Financial statements 1 January - 31 December

Notes to the financial statements

7 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	175,000	0	175,000	175,000
Payables to group entities	112,146	0	112,146	112,146
	<u>287,146</u>	<u>0</u>	<u>287,146</u>	<u>287,146</u>

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, PADK V1 ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities.

9 Collateral

As securities for the Company's mortgage debt, assets worth a total of t.DKK 362,250 have been pledge as collateral or otherwise charged.