

Berlin Wohnungs Invest K/S

Gl. Torv 2, 1. 4.
5800 Nyborg
Central Business Registration
No 38030396

Annual report 2019

The Annual General Meeting adopted the annual report on 20.04.2020

Chairman of the General Meeting

Name: Jesper Kim Pedersen

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Entity details

Entity

Berlin Wohnungs Invest K/S

Gl. Torv 2, 1. 4.

5800 Nyborg

Central Business Registration No (CVR): 38030396

Founded: 23.09.2016

Registered in: Nyborg

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Komplementaranpartsselskabet for Berlin Wohnungs Invest

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Berlin Wohnungs Invest K/S for the financial year 01.01.2019 - 31.12.2019.

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

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

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Nyborg, 20.04.2020

Executive Board

Komplementaranpartsselskabet
for Berlin Wohnungs Invest

Independent auditor's report

To the shareholders of Berlin Wohnungs Invest K/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Berlin Wohnungs Invest K/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Odense, 20.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

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

Management commentary

	2019 DKK'000	2018 DKK'000	2016/17 DKK'000
Financial highlights			
Key figures			
Revenue	34,389	25,676	10,238
Gross profit/loss	129,719	80,845	38,705
Operating profit/loss	125,024	76,967	34,581
Net financials	(12,207)	(8,221)	(2,618)
Profit/loss for the year	112,290	68,687	31,963
Profit/loss excl minority interests	85,319	50,149	23,965
Total assets	829,394	708,879	453,495
Investments in property, plant and equipment	13,982	218,102	358,475
Equity	404,194	303,064	179,598
Equity excl minority interests	329,326	238,715	151,179
Cash flows from (used in) operating activities	1,030	9,929	5,824
Cash flows from (used in) investing activities	(23,914)	(70,072)	(93,968)
Cash flows from (used in) financing activities	26,081	38,160	119,757

Ratios

Gross margin (%)	377.2	314.9	378.1
Net margin (%)	326.5	267.5	312.2
Return on equity (%)	30.0	25.7	15.9
Equity ratio (%)	39.7	33.7	33.3

The company's first financial year 2016/17 covers 15 months.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

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

Management commentary

Primary activities

The Group's objective and activity consist of investment in rental property, primarily residential property situated in Berlin. The investments are made through German companies. The Parent owns shares and handles the administration.

Development in activities and finances

The Group's profit for the year amounts to DKK 112,817 thousand before tax and DKK 112,290 thousand after tax. The profit is considered satisfactory. The profit for the year is positively affected by a value adjustment of the investment properties of DKK 105,522 thousand.

Equity incl. minority interests amounts to DKK 404,194 thousand at 31 December 2019 compared to a consolidated balance sheet total of DKK 829,394 thousand.

Outlook

A profit on par with 2019 is expected for the next financial year before value adjustments of properties.

Particular risks

The Company and the Group are affected by the interest development and the general development on the property market in Berlin.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law will apply to most buildings in Berlin, except new apartment buildings completed after 1. January 2014 and price-bound housing. Two out of six of the Group's investment properties will be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue		34,389	25,676
Fair value adjustments of investment property		105,522	64,511
Other external expenses		(5,347)	(5,052)
Property costs		(4,845)	(4,290)
Gross profit/loss		129,719	80,845
Staff costs	2	(4,609)	(3,834)
Depreciation, amortisation and impairment losses		(86)	(44)
Operating profit/loss		125,024	76,967
Income from investments in associates		0	1,383
Other financial income	3	318	127
Other financial expenses	4	(12,525)	(9,731)
Profit/loss before tax		112,817	68,746
Tax on profit/loss for the year		(527)	(59)
Profit/loss for the year	5	112,290	68,687

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Investment property		793,377	673,624
Other fixtures and fittings, tools and equipment		380	453
Property, plant and equipment	6	<u>793,757</u>	<u>674,077</u>
Receivables from associates		1,389	0
Other investments		26	26
Deposits		5,301	4,933
Other receivables		0	1,481
Fixed asset investments	7	<u>6,716</u>	<u>6,440</u>
Fixed assets		<u>800,473</u>	<u>680,517</u>
Raw materials and consumables		62	80
Inventories		<u>62</u>	<u>80</u>
Trade receivables		1,349	505
Other receivables		3,267	6,321
Prepayments	8	449	870
Receivables		<u>5,065</u>	<u>7,696</u>
Cash		<u>23,794</u>	<u>20,586</u>
Current assets		<u>28,921</u>	<u>28,362</u>
Assets		<u>829,394</u>	<u>708,879</u>

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		150,000	150,000
Retained earnings		179,326	88,715
Equity attributable to the Parent's owners		329,326	238,715
Share of equity attributable to minority interests		74,868	64,349
Equity		404,194	303,064
Mortgage debt		233,983	322,812
Deposits		5,294	5,002
Payables to shareholders and management		71,000	36,000
Other payables		1,514	1,683
Non-current liabilities other than provisions	9	311,791	365,497
Current portion of long-term liabilities other than provisions	9	90,500	10,300
Bank loans		141	141
Trade payables		3,679	4,017
Payables to shareholders and management		8,458	13,102
Other payables		8,604	11,282
Deferred income	10	2,027	1,476
Current liabilities other than provisions		113,409	40,318
Liabilities other than provisions		425,200	405,815
Equity and liabilities		829,394	708,879
Events after the balance sheet date	1		
Contingent liabilities	12		
Assets charged and collateral	13		
Transactions with related parties	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	150,000	88,715	64,349	303,064
Other entries on equity	0	5,292	(16,452)	(11,160)
Profit/loss for the year	0	85,319	26,971	112,290
Equity end of year	150,000	179,326	74,868	404,194

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Operating profit/loss		125,024	76,967
Working capital changes	11	(5,824)	7,036
Value adjustments of investment property		(105,522)	(64,514)
Amortisation, depreciation and impairment losses		86	44
Cash flow from ordinary operating activities		13,764	19,533
Financial income received		318	127
Financial expenses paid		(12,525)	(9,731)
Income taxes refunded/(paid)		(527)	0
Cash flows from operating activities		1,030	9,929
Acquisition etc of property, plant and equipment		(13,982)	(37,821)
Purchase of minority shares		(14,329)	(31,123)
Acquisition of cash in enterprises		1,286	2,730
Loans		3,191	(3,378)
Other cash flows from investing activities		(80)	(480)
Cash flows from investing activities		(23,914)	(70,072)
Loans raised		35,000	18,774
Repayments of loans etc		(8,900)	(5,979)
Cash increase of capital		(19)	25,365
Cash flows from financing activities		26,081	38,160
Increase/decrease in cash and cash equivalents		3,197	(21,983)
Cash and cash equivalents beginning of year		20,587	42,612
Currency translation adjustments of cash and cash equivalents		10	(43)
Cash and cash equivalents end of year		23,794	20,586

Notes to consolidated financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	3,978	3,298
Other social security costs	623	534
Other staff costs	8	2
	4,609	3,834
Average number of employees	7	8
	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	815	1,141
	815	1,141
	2019 DKK'000	2018 DKK'000
3. Other financial income		
Other interest income	318	127
	318	127
	2019 DKK'000	2018 DKK'000
4. Other financial expenses		
Other interest expenses	7,250	6,538
Other financial expenses	5,275	3,193
	12,525	9,731

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	85,319	50,149
Minority interests' share of profit/loss	26,971	18,538
	112,290	68,687
	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment		
Cost beginning of year	577,159	497
Exchange rate adjustments	184	0
Additions	13,969	13
Cost end of year	591,312	510
Revaluations beginning of year	96,465	0
Exchange rate adjustments	24	0
Revaluations for the year	105,576	0
Revaluations end of year	202,065	0
Depreciation and impairment losses beginning of year	0	(44)
Depreciation for the year	0	(86)
Depreciation and impairment losses end of year	0	(130)
Carrying amount end of year	793,377	380

As described in accounting policies, the Group's investment properties are measured at fair value based on external assessments and management estimates. Management's estimate is based on a rate-of-return model. An external valuer has assisted in the assessment of the properties at a total fair value of DKK 563m. For other properties totaling DKK 220m the fair value has been calculated by management based on previous years valuation by external valuer and managements own current estimate.

Building projects in progress amount to DKK 10m, which is added to cost, or the recoverable amount, if lower.

Return on the total property portfolio amounts to an average of 3.65% (2018: 4.0%), with an average price factor of 22 times the annual rent (2018: 20), and an average market price of DKK 15,777 per m² (2018: 13,500 per m²). If the market price was calculated using an alternative rate of return of 4,0% the fair value would amount to 724m instead.

Notes to consolidated financial statements

All the Group's 6 properties are situated in Berlin and are primarily residential properties. Vacancy level for the portfolio is low.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law will apply to most buildings in Berlin, except new apartment buildings completed after 1. January 2014 and price-bound housing. Two of the Group's investment properties will therefore be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices.

However, in general it's expected that the "Mietendeckel" will negatively impact the real estate market in Berlin. The external valuer and Management has made certain adjustments in the market price valuation to reflect the situation in the current market situation in Berlin as described above.

	Receivables from associates DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
7. Fixed asset investments				
Cost beginning of year	0	26	4,933	1,481
Additions	1,389	0	368	0
Disposals	0	0	0	(1,481)
Cost end of year	1,389	26	5,301	0
Carrying amount end of year	1,389	26	5,301	0

8. Prepayments

Prepayments consist of prepaid expenses.

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
9. Liabilities other than provisions				
Mortgage debt	90,500	10,300	233,983	80,275
Deposits	0	0	5,294	0
Payables to shareholders and management	0	0	71,000	0
Other payables	0	0	1,514	0
	90,500	10,300	311,791	80,275

Notes to consolidated financial statements

10. Short-term deferred income

Deferred income consists of prepayments from lessees.

	2019	2018
	DKK'000	DKK'000
11. Change in working capital		
Increase/decrease in inventories	18	(24)
Increase/decrease in receivables	1,308	(1,046)
Increase/decrease in trade payables etc	(7,150)	8,106
	(5,824)	7,036

12. Contingent liabilities

Berlin Wohnungs Invest K/S has signed an administration agreement, which is interminable until 31 December 2021. The agreement, however, is terminable at 6 months' notice until expiry of a calendar year provided all the property funds' limited partners at a prior general meeting have decided unanimously to terminate this agreement.

The Group has two investment properties, which are situated on rented land. The lease agreements run until year 2053 and 2065, respectively. At the expiry of the lease agreements, the buildings are passed to the owner of the land with compensation payment according to an expert fair value assessment.

There are obligations to pay rent for the land until at least the year 2065. The obligation is DKK 35m.

13. Assets charged and collateral

The Group has raised mortgage debt at a carrying amount of DKK 323m at 31 December 2019, which is secured on investment properties at a carrying amount of DKK 793m at 31 December 2019.

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

	Management	Other
	DKK'000	related
	DKK'000	parties.
	DKK'000	DKK'000
14. Transactions with related parties		
Remuneration to the Executive Board and the Board of Directors	815	0
Interest (net) group enterprises	0	634
Intercompany accounts (net) group enterprises	0	10,000

The Company's related parties comprise the following:

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

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
15. Subsidiaries			
REK Berlin Wohnungs Invest GmbH & Co.	Germany, Berlin	GmbH	100.0

REK Berlin Wohnungs Invest GmbH & Co. Beteiligungs KG owns shares in 6 German subsidiaries.

Disclosures on subsidiaries have been omitted in accordance with § 97a(4) of the Danish Financial Statements Act.

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Other operating income		0	195
Other external expenses		(1,235)	(2,079)
Gross profit/loss		(1,235)	(1,884)
Staff costs	2	(812)	(812)
Operating profit/loss		(2,047)	(2,696)
Income from investments in group enterprises		87,369	52,751
Other financial income	3	0	145
Other financial expenses	4	(3)	(51)
Profit/loss for the year	5	85,319	50,149

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Investments in group enterprises		326,484	239,278
Fixed asset investments	6	<u>326,484</u>	<u>239,278</u>
Fixed assets		<u>326,484</u>	<u>239,278</u>
Receivables from group enterprises		4,169	438
Other receivables		0	553
Receivables		<u>4,169</u>	<u>991</u>
Cash		<u>27</u>	<u>218</u>
Current assets		<u>4,196</u>	<u>1,209</u>
Assets		<u>330,680</u>	<u>240,487</u>

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital	7	150,000	150,000
Reserve for net revaluation according to the equity method		183,176	95,970
Retained earnings		(3,850)	(7,255)
Equity		<u>329,326</u>	<u>238,715</u>
Trade payables		1,352	1,722
Other payables		2	50
Current liabilities other than provisions		<u>1,354</u>	<u>1,772</u>
Liabilities other than provisions		<u>1,354</u>	<u>1,772</u>
Equity and liabilities		<u>330,680</u>	<u>240,487</u>
Events after the balance sheet date	1		
Contingent liabilities	8		
Related parties with controlling interest	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	150,000	95,970	(7,255)	238,715
Other entries on equity	0	5,292	0	5,292
Dividends from group enterprises	0	(5,455)	5,455	0
Profit/loss for the year	0	87,369	(2,050)	85,319
Equity end of year	150,000	183,176	(3,850)	329,326

The share capital is fully paid up at 31.12.2019.

Notes to parent financial statements

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	811	798
Other social security costs	1	12
Other staff costs	0	2
	812	812
Average number of employees	1	1

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	815	1,141
	815	1,141

	2019 DKK'000	2018 DKK'000
3. Other financial income		
Exchange rate adjustments	0	145
	0	145

	2019 DKK'000	2018 DKK'000
4. Other financial expenses		
Other interest expenses	1	29
Exchange rate adjustments	2	22
	3	51

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	85,319	50,149
	85,319	50,149
		Investments in group enterprises DKK'000
6. Fixed asset investments		
Cost beginning of year		143,308
Cost end of year		143,308
Revaluations beginning of year		95,970
Exchange rate adjustments		79
Adjustments on equity		5,213
Share of profit/loss for the year		87,369
Dividend		(5,455)
Revaluations end of year		183,176
Carrying amount end of year		326,484

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

	Number	Par value DKK'000	Nominal value DKK'000
7. Contributed capital			
A-Shares	90,000	1	90,000
B-Shares	60,000	1	60,000
	150,000		150,000

8. Contingent liabilities

Berlin Wohnungs Invest K/S has signed an administration agreement, which is interminable until 31 December 2021. The agreement, however, is terminable at 6 months' notice until expiry of a calendar year provided all the property funds' limited partners at a prior general meeting have decided unanimously to terminate this agreement.

Notes to parent financial statements

[Click here to enter text.](#)

9. Related parties with controlling interest

The Company's related parties comprise the following:

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

Related party transactions:

	2019 DKK'000	2018 DKK'000
Remuneration to the Executive Board and the Board of Directors	815	1.141
Interest (net) group enterprises	1	0
Intercompany accounts (net) group enterprises	4.169	438

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied 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. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from property operations includes rental income regarding letting of investment properties and related income from letting out. The lessees contribution to cover the costs of the properties regarding heat supply and contributions to cover operating costs that eventually rest with the lessee are set off against paid costs in the balance sheet as other receivables or payables.

Accounting policies

Fair value adjustments of investment property

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

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to other fixtures comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Other financial income

Other financial income comprises interest income, payables and transactions in foreign currencies and amortisation of financial assets.

Other financial expenses

Other financial expenses comprises interest expenses, payables and transactions in foreign currencies and amortisation of financial liabilities.

Tax on profit/loss for the year

The limited partnership is not an independent taxpayer. Consequently, tax is not recognised in the annual report as current and deferred tax are incumbent on the limited partners.

Accounting policies

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 5-7 years

Other fixtures and fittings, tools and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property

On initial recognition, investment properties are 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 using external assessment and management estimates based on a 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, actual vacancy rate, major refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Accounting policies

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Receivables

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

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Inventories

Inventories consist of fuel oil for the properties. Inventories are measured at cost applying the FIFO method.

Prepayments

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

Cash

Cash comprises cash in hand and 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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash funds.