Sofia Residential Development A/S

C/O ØENS Virksomhedsadministration ApS
Lergravsvej 59, st.
2300 København S

CVR no. 41 50 74 70

ANNUAL REPORT 2023

(4th Financial year)

Adopted at the annual general meeting on

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Anders Johansson
chairman of the general meeting


UGO PIZZA

Sofia Residential Development A/S

ANNUAL REPORT
2023

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Sofia Residential Development A/S 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 consolidated financial statements and the parent financial statements present a true and fair view of the company's and the group's financial position as of December 31, 2023, as well as the results of their operations for the financial year from January 1 to December 31, 2023.

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

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

Copenhagen, 12 June 2024

EXECUTIVE BOARD

Jens Kindberg

Anders Retz Johansson

SUPERVISORY BOARD

Georgi Kirov
Chairman

Majbritt Stabell Christensen

Henrik Deigaard

Independent auditor’s report

To the shareholder of Sofia Residential Development A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of Sofia Residential Development A/S 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, for both the group and the parent company. The consolidated financial statements and the parent company financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements present a true and fair view of the company's and the group's financial position as of December 31, 2023, as well as the results of their operations for the financial year from January 1 to December 31, 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 consolidated financial statements and parent company” section of our report. We are independent of the group 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 CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent company financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for implementing the internal controls necessary to ensure that these financial statements are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent 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 consolidated financial statements and parent company financial statements unless management either intends to liquidate the group or the company 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 PARENT COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 it is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company 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 parent company 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 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 consolidated financial statements and parent company 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 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 consolidated financial statements and parent company 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information for the group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the group. We alone are responsible for our audit opinion.

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

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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.

Hellerup, 12 June 2024
CVR no. 33 25 68 76

Crowe

Søren Jonassen
State Authorized Public Accountant
18488

Company details

The company	Sofia Residential Development A/S Lergravsvej 59A 2300 København S	
	Website:	www.sofiaresidential.com
	CVR no.:	41 50 74 70
	Reporting period:	1 January - 31 December 2023
	Incorporated:	1 July 2020
	Domicile:	Copenhagen
Supervisory board	Georgi Kirov, chairman Majbritt Stabell Christensen Henrik Deigaard	
Executive board	Jens Kindberg Anders Retz Johansson	
Auditors	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Rygårds Allé 104 2900 Hellerup	

Management's review

BUSINESS REVIEW

The purpose of the Company is to engage in real estate development and related activities. The primary market focus is real estate development in Sofia, Bulgaria. The group develops high-quality, yet affordable residential units for the burgeoning middle class and millennials in Sofia.

FINANCIAL REVIEW

The Company's income statement for the year ended 31 December 2023 shows an EBITDA of DKK 14.523.472 and a net profit of DKK 4.990.704. The balance sheet as of 31 December 2023 shows equity of DKK 91.290.100. The Company has changed its valuation method of the underlying real estate development activities from fair market value to the equity method showing the cost of the development assets. The equity value using the fair market value is estimated to DKK 358 million and it is further described in the section describing how the share price is estimated.

The change of method aligns with other development companies and prepares the Company for a potential stock exchange listing.

The equity method results in assets being shown at cost price, as the underlying entities in the group book all assets at cost price. Consequently, the income statement will not reflect value adjustments of the underlying assets but will solely show the Company's ability to generate profit from the development and sale of projects. This provides transparent reporting, as the Company should be evaluated based on its current and future ability to generate profit from its core operating activities.

The previous used method of fair market value has the advantage of showing shareholders the estimated value of the Company directly in the balance sheet. However, listed development companies do not use this method because shareholders can see the value of a Company on the stock exchange. Thus, the estimation of the Company's value is left to the stock market.

Since the Company is not listed, the board has decided to report an estimated share price quarterly based on the same method as previously used in the financial statement. A dedicated section of the financial report will detail the estimated value of the Company and explain how it is estimated.

Overall, we expect this change to provide our investors with a clear picture of the Company's financial health and future growth potential.

The goodwill amount in the balance sheet represents the difference between the book value of the assets at the end of 2021 and their fair value at the end of 2021. Management has chosen to depreciate goodwill over 10 years. The Company's value development can be tracked through the ongoing adjustment of the share price, where Management estimates the value of the Company's activities based on the Company's earning capacity.

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.

Corporate structure and details

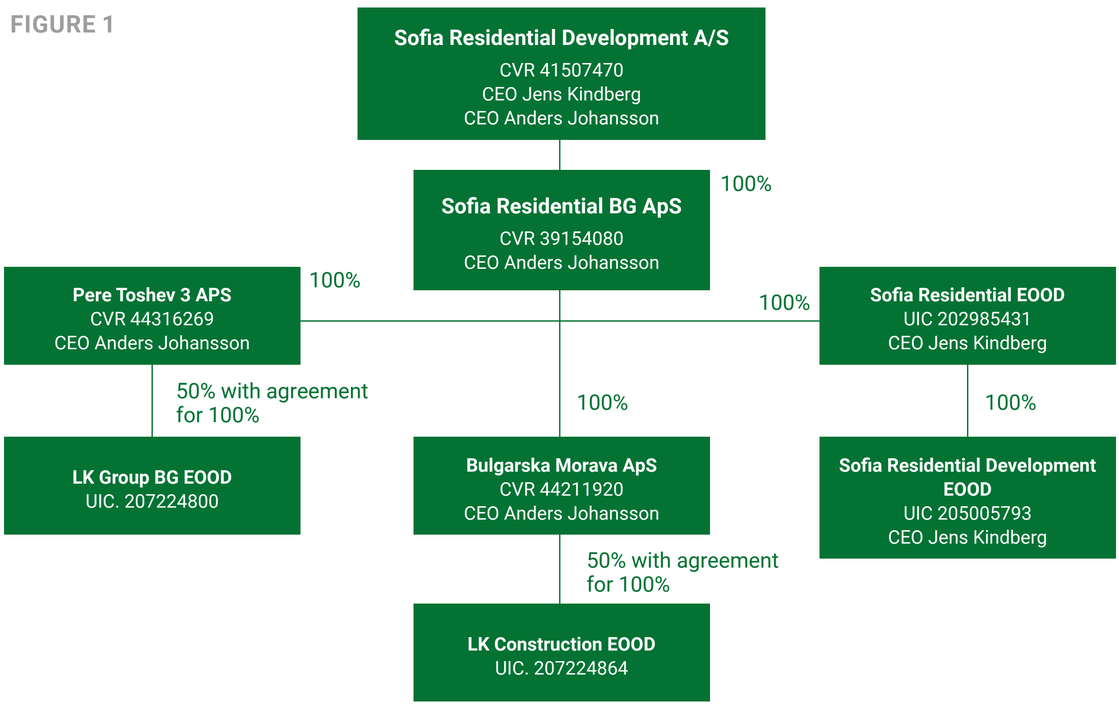
Sofia Residential Development A/S ("the Company") is a Danish limited liability company incorporated on 1 July 2020 under the laws of the Kingdom of Denmark with company registration number 41507470.

The Company's ISIN number is: DK0061556693.

The Company's address is:
Lergravsvej 59A
2300 Copenhagen S, Denmark.

Website: **www.sofiaresidential.com**

FIGURE 1



Share price

The Company's share value continued it's positive trend in 2023, with an increase of 91,3%:

FIGURE 2 VALUE PER SHARE SOFIA RESIDENTIAL DEVELOPMENT A/S

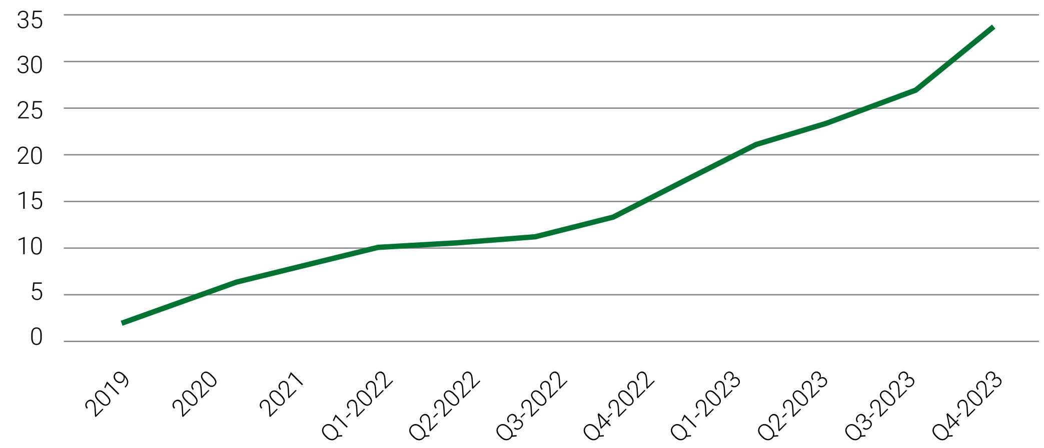


FIGURE 3 SHARE PRICE (DKK) SOFIA RESIDENTIAL DEVELOPMENT A/S
ISIN: DK0061556693

2019	2020	2021	2022				2023			
31/12	31/12	31/12	31/03	30/06	31/10	31/12	31/03	30/06	30/09	31/12
1,81	**6,70**	**10,20**	**10,69**	**11,40**	**13,32**	**17,60**	**21,41**	**23,52**	**27,13**	**33,67**

To the shareholders

We are pleased to present to you the annual report of Sofia Residential Development A/S for the fiscal year 2023. This year has been characterized by continued growth as well as positive results and developments for the Company.

CONTINUED GROWTH

Our growth journey continued steadfastly in 2023 as we expanded our portfolio of property development projects in Sofia. We are proud to announce that we delivered our first two properties specifically for rental, Antim and Zaichar, during the year. This milestone marks another step in the Company's development. Previously, we had solely sold apartments as individual units, but with this new development, new opportunities arise to deliver turnkey rental properties to property companies investing in Sofia. Our successful entry into this market is well underway. We are excited about the positive reception we have received from our customers and the high demand for our homes, underscoring the quality of our constructions and our ability to meet the market's needs.

NAME CHANGE TO SOFIA RESIDENTIAL DEVELOPMENT A/S

During 2023, we changed our company name from Sofia Residential A/S to Sofia Residential Development A/S. This name change reflects our strategic focus on property development and underscores our ambition to be a leader in this area in Sofia. We continue to invest in the development of innovative property projects that create value for our shareholders, customers, and the surrounding community.

GROWTH PLAN ON TRACK

In 2021, an ambitious growth plan was developed, outlining the Company's strategy and objectives through to 2030. These ambitions remain firmly in place, and the Management is committed to achieving the set goals and following the defined course. The Company's dedication to this growth plan underscores its long-term vision and determination to drive sustained success and profitability. The Management continually reviews progress to ensure alignment with the strategic objectives.

The year 2023 has been a year of growth, innovation, and accountability for Sofia Residential Development A/S. We look forward to the future with optimism and continue to strive to deliver value to our shareholders, customers, and the surrounding community. The growth in 2023 was supported by capital increases, we welcome all our new investors on board.

Anders Johansson, CEO

Organization

The Management is responsible for the daily operations of Sofia Residential Development. In addition, the Management ensures that the Company's bookkeeping follows the applicable rules and regulations, and that the administration and construction of the Company's assets are carried out in an appropriate manner together with our own staff and professional partners.

SUPERVISORY BOARD

GEORGI KIROV
Chairman

Georgi Kirov joined Colliers International in 2001 and has been the head of his department since 2006. Among other things, he has been responsible for the largest real estate transaction in Bulgaria to date, Business Park Sofia, which had a total value of EUR 280 million.

CURRENT EMPLOYMENT
Director Capital Markets, Colliers International, Bulgaria

BOARD MEMBER
The Royal Institute of Chartered Surveyors, London

MAJBRITT STABELL CHRISTENSEN
Board Member

Majbrit Stabell Christensen has worked with real estate throughout her career. First, as an advisor to Lidl during their entry into the Danish market. Later, in Skanska Øresund, where she was development and rental manager with responsibility for the rental and development of larger urban areas. She has founded and runs Popl. Previously, she was a co-founder of the advisory portal 2move, which advises tenants and businesses, and quickly became a success. She sold her stake in 2018.

CURRENT EMPLOYMENT
CEO
Popl ApS

HENRIK DEIGAARD
Board Member

Henrik Deigaard was with Nordea as a Senior Private Banker until 2018, where he managed large fortunes for private and business customers. Since 2018, Henrik has been a project manager within forests and real estate at Dansk Investeringsfond A/S.

CURRENT EMPLOYMENT
Project director Forest and Real Estate Investments, Difko A/S

MANAGEMENT TEAM

ANDERS JOHANSSON
CEO

Anders Johansson joined the Company in December 2023 as the new CEO. He came from a position as Chief of Fund Management in the largest Danish real estate investor, Koncenton. Besides his strong skills within management of funds and investing, Anders has a background as a shipbroker, where he gained knowledge of cross boarder trade and working relations, which are qualifications that are keen for the future development of the Company and its organisation.

LETICIA RIDER
CFO

Leticia joined the Company in 2023. She graduated in Administration and Business Management, she has an accountant and tax background with 12 years' experience in supporting organizations and executives. She comes with a breadth of knowledge, including, accounting and tax, invoicing and reporting, database management and set-up, Client Due Diligence for antimoney laundering for new/existing clients, supplies, in-house training for compliance purposes and secretarial services.

Balancing profit and purpose:
Our path forward in ESG efforts

We are proud to present our first ESG report, in which we set a clear direction for our future ESG efforts.

As a real estate developer, Sofia Residential Development recognizes the responsibility to contribute in a positive and meaningful way to the planet, the society and the communities, and to further develop the neighbourhoods in which Sofia Residential Development operates. Our definition of success extends far beyond our bottom line of the financial statement.

We truly believe that shareholders will adjust their valuation based on whether we generate short-term profits at the cost of more vulnerable stakeholders as opposed to long-term sustainable profits based on a business model respecting all relevant stakeholders. Investors are well aware that a business model must balance the interests of all stakeholders in order to be long-term viable and thereby achieve the highest valuation.

This does not disregard profitability as an organization just focusing on being good at a loss is not long-term sustainable and it will go bankrupt. On the other hand, exploiting some stakeholders for higher profit is also not long-term sustainable as it will be stopped. Either by workers, customers or the surrounding community. The job is merely to strive to find the right balance between stakeholders and focus on how we as a company can give something back to everyone.

This is not about being perfect but about committing to continuously improve for each project and for each year. If everybody agrees to do this, the world will continue to improve and continue to be a better place for everyone.
Read more about our specific objectives in the section "Our ESG Commitments" in Sofia Residential Development's 2023 ESG report.

We have made our initial ESG impact assessment, and our goal is to contribute particularly in areas where we may have a positive impact, but also in the areas where we can meaningfully minimize any negative impact.

ENVIRONMENTAL IMPACT

Positive Impacts

+ Implementation of sustainable construction practices (green building standards, eco-friendly materials etc)
+ Reduction of CO_2 emissions, energy, and water consumption during construction
+ Construct buildings for sustainable living and easy energy saving, garbage handling etc.
+ Contribute to local community green space projects (biodiversity)
+ Emphasis on locations near public transportation

Negative Impacts

– Construction activities will have some environmental impact despite efforts to minimize it

– Energy consumption during construction and operation requires ongoing attention for optimization

SOCIAL IMPACT

Positive Impacts

- + Provide high-quality affordable housing
- + Local sourcing of workforce for construction
- + Focus on resident wellbeing in construction
- + Community engagement programs promote positive relationships with local stakeholders
- + Stable, safe and healthy work conditions for own employees and employees involved in construction
- + Ensure workforce diversity

Negative Impacts

- – Construction projects may cause temporary disruptions to local communities
- – Achieving a balance between affordable housing goals and profitability may pose social challenges

GOVERNANCE IMPACT

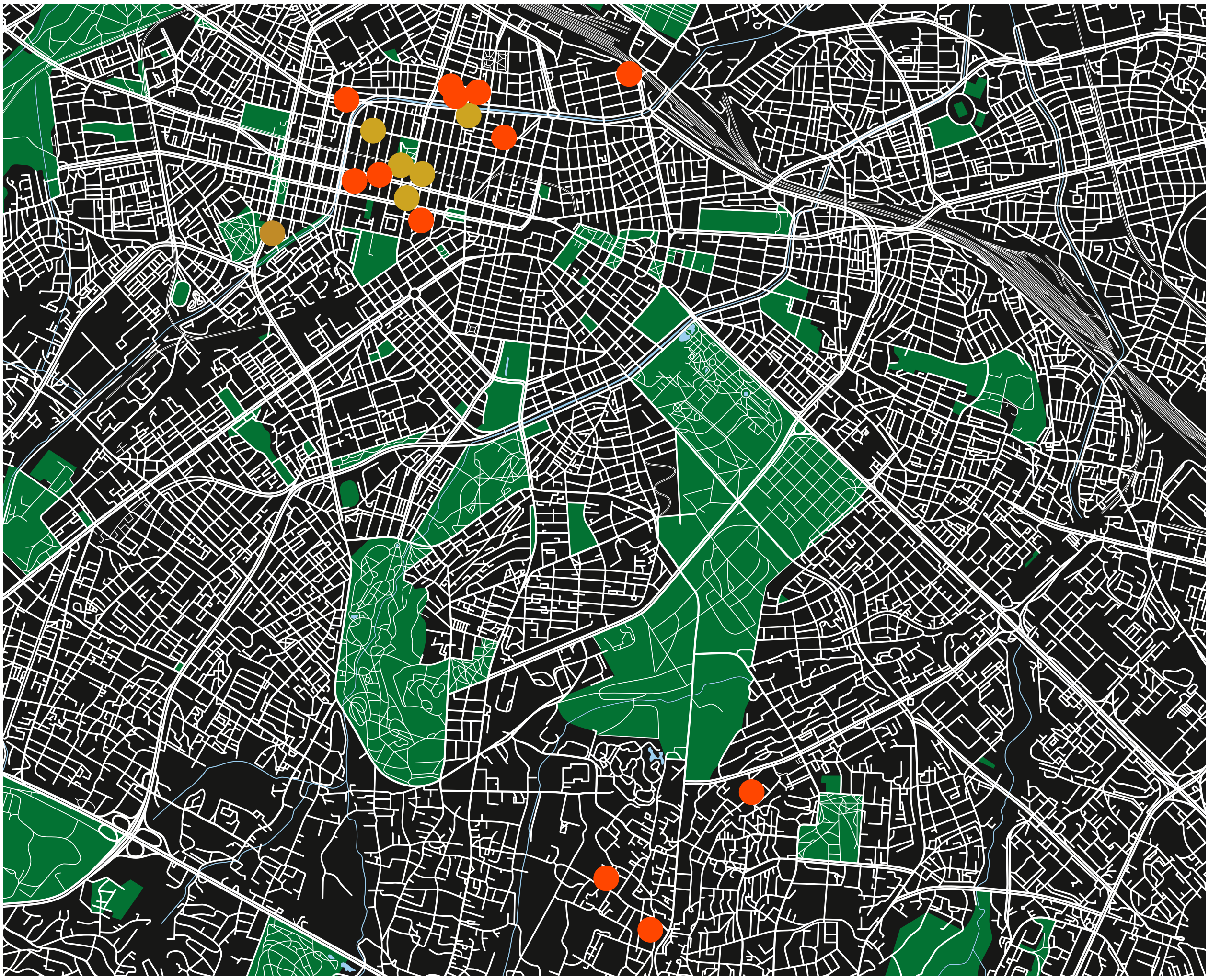
Positive Impacts

- + Ethical land acquisition practices
- + Arm’s length principles in trading between companies
- + Comprehensive anti-corruption measures promote transparency and ethical business practices
- + Stakeholder engagement mechanisms enhance overall governance and accountability
- + Diversity and inclusion in management and boards

Negative Impacts

- – Adherence to ethical land acquisition practices may increase acquisition costs
- – Ensuring compliance with anti-corruption measures requires ongoing vigilance and resources

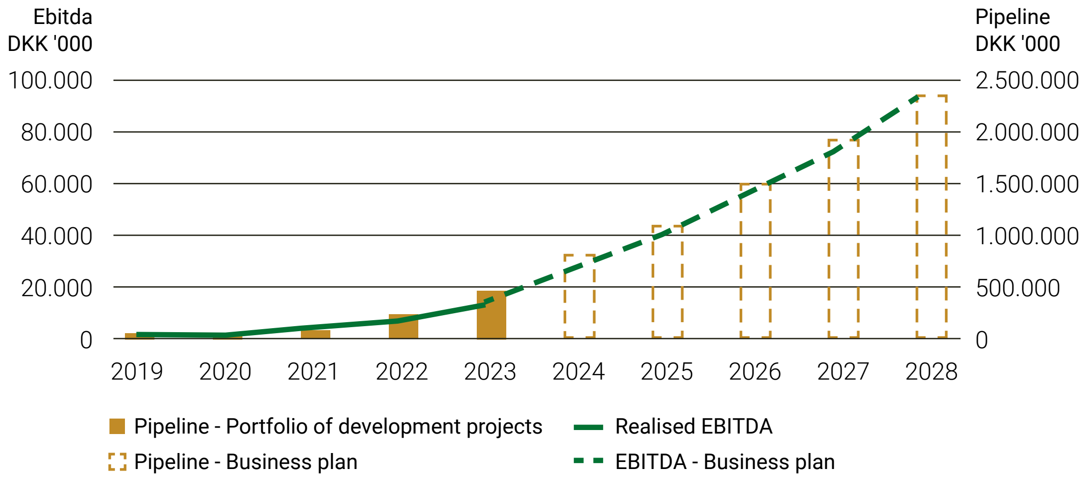
Project portfolio – Our pipeline



6 finalized   12 current developments   Parks/Green areas

Our portfolio of new development projects consists of a total of 12 property projects by the end of 2023, at various stages and sizes. The ongoing projects will be delivered over a period of the next 4-5 years. In addition to ongoing projects, we are in negotiations about a number of additional projects. Therefore, we expect the number of development projects to increase significantly in the coming years. Furthermore, we anticipate that the size of the projects will also be increasing in the future. We continue to experience strong demand for the properties and apartments we deliver to our customers.

FIGURE 4 GROWTH PLAN ON TRACK



The pipeline of development projects fully develops in line with the business plan that the Company developed in 2021. Figure 4 shows how the we continue to invest in growing our pipeline and how this enables the Company to grow the EBITDA as projects are turned in to finalised residential units.

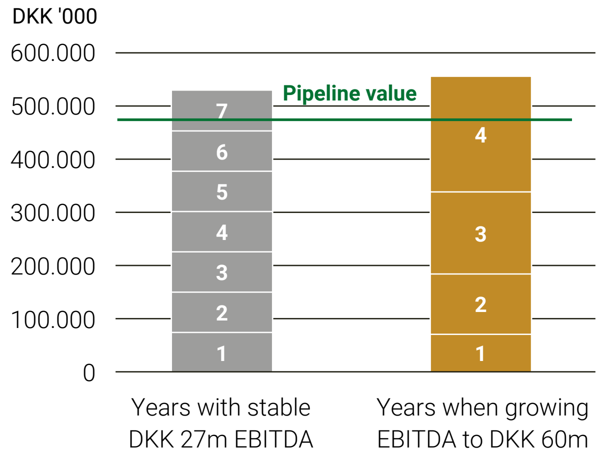
We have already secured a number of attractive projects that ensure our pipeline for the coming years.

Figure 5 illustrates a robust project pipeline, currently valued just below DKK 500 million, which is sufficient to sustain over six years of sales, ensuring a stable EBITDA of DKK 27 million annually.

Our strategic growth plan is set to significantly increase sales from DKK 75 million in 2024 to DKK 200 million by 2027, with a projected EBITDA surpassing DKK 60 million. Despite this aggressive growth trajectory, our existing pipeline will cover nearly four years of anticipated sales.

This strong pipeline positions the Company advantageously, enabling the Company to focus on its expansion to sustain continuous growth. The objective is to maintain a pipeline that covers at least five years of sales, aligned with the budgeted targets. This strategy provides both the Company and investors with confidence in the Company's sustained performance, ultimately enhancing the Company's valuation.

FIGURE 5 YEARS OF SECURED TURNOVER



Valuation principle

ESTIMATION OF MARKET VALUE OF THE COMPANY

The main focus of Sofia Residential Development is to deliver on operational activities to meet the financial targets in the 2030 plan sustainably, maximizing the overall company valuation. The development activities are re-valued quarterly based on internal parameters such as current performance, project pipeline, and the sustainability of the 2030 business plan, as well as external parameters such as interest rates, the equity premium related to real estate development, and the market premium related to Bulgaria. These factors are combined in a model where the development activities are valued using the discounted cash flow method based on three different scenarios:

- **Valuation 1: Capitalization of current performance**
  This assessment is very conservative as Sofia Residential Development already has a pipeline that supports a larger business. Valuation 1 results in an estimated market value of DKK 226 million.

- **Valuation 2: Capitalization of 5-year forecast**
  This assessment takes into account the expected growth in the near future. The assessment therefore recognizes potential but not the full potential of the 2030 business plan. Valuation 2 results in an estimated market value of DKK 455 million.

- **Valuation 3: Capitalization of the entire 2030 business plan**
  This capitalization shows the full potential, but there is also a big performance difference between the current level and what is planned for 2030. Valuation 3 results in an estimated market value of DKK 690 million.

The Board of Directors has decided on a weighted approach to how the three valuation approaches should contribute to the final valuation:

- Valuation 3 will only be recognized when there is a project pipeline exceeding 5 years justifying that Sofia Residential Development will reach the 2030 revenue target.

- Valuation 2 is recognized to the extent that the project pipeline justifies the revenue level for that period.

- Valuation 1 is recognized to the extent that the project pipeline does not justify the full revenue uplift in the 5-year forecast used in the valuation scenario 2.

The valuation results in a valuation of DKK 358 million. Including all potential as stipulated by valuation scenario 3 will result in a valuation of DKK 690 million. Valuation 3 requires that the Company grows the pipeline of projects from 3,5 years of sales to above 5 years of sales. We work towards obtaining this target within the next 1-2 years.

WACC

The Board of Directors decides on a weighted average cost of capital (WACC) that is used to calculate the present value of the cash flow in each valuation scenario. The WACC is determined by combining the return requirements from the following parameters:

- The risk free rate: The Board of Directors uses the 10-year state bond for Bulgaria equal to 4,3% as of 31.12.2023
- Long-term international market premium for equity investments equal to 4,6%
- International premium related to real estate development activities equal to 1,4%
- International market premium related to investments in Bulgaria equal to 2,3%

Combined, the WACC is 12,9% as of 31.12.2023 compared to 16,4% as of 31.12.2022.

The valuation continues to be very sensitive to changes in the WACC, resulting in a significant value increase with a lower WACC and a value decrease with a higher WACC. For example, a WACC of 6,5% will result in 3,14x higher valuation whereas a WACC of 25,9% will result in a 2,61x lower valuation. In the 2023 valuations, the Board of Directors assumes a steady-state growth of 3%, the same as in the 2022 valuation.

Accounting policies

The annual report of Sofia Residential Development A/S 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 are identical for both the parent company financial statements and the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies have been changed this year. Previously, investments in subsidiaries were recognized at fair market value. This has changed this year, so that investments in subsidiaries are now recognized according to the equity method.

The background for the policy change is the company's intention to enter into a more fair presentation between the parent company and the group.

The change is recognized in the equity at the beginning of the year and the comparative figures have been adjusted.

Equity at the beginning in the parent company has been reduced by DKK 95 million. The accounting policies are otherwise consistent with those of last year.

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 group's and the parent company's 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 group's and the parent company's 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 installments 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.

RECOGNITION AND MEASUREMENT OF BUSINESS COMBINATIONS

Recently acquired entities are recognised in the financial statements from the date of acquisition. Sold entities are recognised in the financial statements until the date of disposal. Comparative figures are not restated in respect of recently acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the time when the company actually gains control over the acquiree.

The acquisition method is applied to the acquisition of new entities where the company gains control over the acquiree. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or emanate from a contractual right. Deferred tax on the revaluations made is recognised.

Positive differences (goodwill) between, on the one side, the purchase consideration, the value of non- controlling interests in the acquiree and the fair value of any previously acquired investments and, on the other side, the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under 'Intangible assets'. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of its useful life.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

On acquisition, goodwill is ascribed to / classed with the cash-generating unit, which subsequently forms a basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the group's presentation currency are accounted for as assets and liabilities belonging to the foreign entity and are translated on initial recognition into the foreign entity's functional currency using the exchange rate at the date of the transaction.

The purchase consideration for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the purchase consideration is conditional upon future events or the fulfilment of agreed conditions, this part of the purchase consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of conditional purchase consideration are recognised in the income statement.

Expenses defrayed in connection with acquisitions are recognised in the income statement in the year in which they are defrayed.

If, at the date of acquisition, the identification or measurement of acquired assets, liabilities and/or contingent liabilities or the size of the purchase consideration are associated with uncertainty, initial recognition will be based on preliminarily calculated amounts. If it subsequently turns out that the identification or measurement of the purchase consideration, acquired assets, liabilities and/or contingent liabilities was not correct on initial recognition, the calculation will be adjusted with retrospective effect, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Subsequently, any adjustments made will be recognised as error.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent company, Sofia Residential Development A/S, and its subsidiaries, in which the parent company directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered participating interests or associates, cf. the group chart.

The consolidated financial statements are prepared as a consolidation of the parent company's and subsidiaries' financial statements by aggregating uniform accounting items. On consolidation, intra-group income and expenses, holdings of shares, intra-group balances and dividends as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date at which control is obtained. Entities sold during the year are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Income statement

GROSS PROFIT

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

Gross profit reflects an aggregation of revenue, less costs of raw materials and consumables and other external expenses.

REVENUE

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

EXPENSES FOR RAW MATERIALS AND CONSUMABLES

Costs of raw materials and consumables include the raw materials and consumables used in generating the year’s revenue.

OTHER OPERATING EXPENSES

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and items of property, plant and equipment.

OTHER EXTERNAL COSTS

Other external costs include expenses related to administration.

STAFF COSTS

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

INCOME FROM INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

The proportionate share of the profit/loss for the year of subsidiaries is recognised in the parent company's income statement after full elimination of intra-group profits/losses.

Dividend from participating interests is recognised in the financial year in which the dividend is declared.

TAX ON PROFIT/LOSS FOR THE YEAR

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

INTANGIBLE ASSETS

Goodwill

Gains or losses on disposal of subsidiaries, participating interests and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of entities are accounted for using the purchase method, according to which the acquirees' identifiable assets and liabilities are measured at fair value at the date of acquisition. Provision is made for expenses to adopted and announced plans to restructure the acquired entity in connection with the acquisition. Allowance is made for the tax effect of revaluations made.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Goodwill arising on acquisition can be restated until the end of the year after the acquisition.

Acquired goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years. The amortisation period is based on the assessment that the entities in question are strategically acquired entities with a strong market position and a long- term earnings profile.

TANGIBLE ASSETS

Items of land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Where individual components of an item of property, plant and equipment have different useful lives, and the individual component is a significant part of the total cost, the cost is divided into separate components, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3 years

Assets costing less than DKK 32.000 are expensed in the year of acquisition.

The useful life and residual value are re-assessed annually. A change is accounted for as an accounting estimate, and the impact on amortisation/depreciation is recognised going forward.

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Investments in subsidiaries and participating interests
Investment in participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries, which are expected to be declared before the annual report of Sofia Residential Development A/S is adopted, are not taken to the net revaluation reserve.

Acquirees are accounted for using the purchase method, see the above description of consolidated financial statements and calculation of goodwill.

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.

PREPAYMENTS

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and deposits at banks.

EQUITY

Reserve for net revaluation according to the equity method: The reserve for net revaluation according to the equity method in the company's financial statements comprises net revaluation of investments in subsidiaries relative to the cost.

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

The company and all its Danish group entities are taxed on a joint basis. The current income tax charge is allocated between the jointly taxed entities relative to their taxable income. Tax losses are allocated based on the full absorption method. The jointly taxed entities are eligible for the Danish Tax Prepayment Scheme.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

LIABILITIES

Liabilities 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 recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

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 recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Income statement

1 January 2023 - 31 December 2023

		GROUP		PARENT COMPANY	
	Note	2023	2022	2023	2022
		DKK	TDKK	DKK	TDKK
Gross profit		**15.815.373**	**9.094**	**-775.069**	**-1.073**
Staff costs	1	-1.291.900	-584	-533.710	-584
Profit/loss before amortisation/deprecia-tion and impairment losses		**14.523.473**	**8.510**	**-1.308.779**	**-1.657**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-5.668.049	-5.568	-64.228	-41
Other operating costs		-9.100	0	-9.100	0
Profit/loss before net financials		**8.846.324**	**2.942**	**-1.382.107**	**-1.698**
Income from investments in subsidiares		0	0	9.392.239	3.217
Financial income	2	771.650	602	40.954	0
Financial costs	3	-4.772.049	-5.655	-3.060.381	-3.420
Profit/loss before tax		**4.845.925**	**-2.111**	**4.990.705**	**-1.901**
Tax on profit/loss for the year	4	144.780	210	0	0
Profit/loss for the year		**4.990.705**	**-1.901**	**4.990.705**	**-1.901**
Recommended appropriation of profit/loss					
Reserve for net revaluation under the equity method		0	0	3.864.619	0
Retained earnings		4.990.705	-1.901	1.126.086	-1.901
		4.990.705	**-1.901**	**4.990.705**	**-1.901**

Balance sheet

at 31 December 2023

	Note	GROUP 2023	GROUP 2022	PARENT COMPANY 2023	PARENT COMPANY 2022
		DKK	TDKK	DKK	TDKK
Assets					
Goodwill		44.220.964	49.749	0	0
Intangible assets	5	**44.220.964**	**49.749**	**0**	**0**
Land and buildings		7.882.890	2.404	0	0
Other fixtures and fittings, tools and equipment		0	169	0	169
Tangible assets		**7.882.890**	**2.573**	**0**	**169**
Investments in subsidiaries	6	0	0	59.864.619	50.472
Participating interests		74.867	0	0	0
Other receivables		0	14.684	0	0
Fixed asset investments		**74.867**	**14.684**	**59.864.619**	**50.472**
Total non-current assets		**52.178.721**	**67.006**	**59.864.619**	**50.641**
Trade receivables		723.900	419	0	0
Receivables from subsidiaries		0	0	28.670.412	2.400
Other receivables	7	32.937.628	229	12.267	0
Deferred tax asset		434.340	286	0	0
Prepayments		31.508	15	20.078	17
Receivables		**34.127.376**	**949**	**28.702.757**	**2.417**
Cash at bank and in hand		**6.312.350**	**2.993**	**2.776.516**	**2.928**
Total current assets		**40.439.726**	**3.942**	**31.479.273**	**5.345**
Total assets		**92.618.447**	**70.948**	**91.343.892**	**55.986**

Balance sheet

at 31 December 2023

	Note	GROUP 2023	GROUP 2022	PARENT COMPANY 2023	PARENT COMPANY 2022
		DKK	TDKK	DKK	TDKK
Equity and liabilities					
Share capital		**1.063.452**	**861**	**1.063.452**	**861**
Reserve for net revaluation under the equity method		0	0	3.864.619	0
Retained earnings		90.226.649	55.080	86.362.030	55.080
Equity		**91.290.101**	**55.941**	**91.290.101**	**55.941**
Trade payables		381.000	2.045	0	0
Other payables		947.346	12.962	53.791	45
Total current liabilities		**1.328.346**	**15.007**	**53.791**	**45**
Total liabilities		**1.328.346**	**15.007**	**53.791**	**45**
Total equity and liabilities		**92.618.447**	**70.948**	**91.343.892**	**55.986**
Contingent liabilities	8				
Mortgages and collateral	9				

Statement of changes in equity

GROUP

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2023	861.450	0	60.607.062	61.468.512
Net effect from change of accounting policy	0	0	-5.527.620	-5.527.620
Adjusted equity at 1 January 2023	861.450	0	55.079.442	55.940.892
Cash capital increase	202.002	30.156.502	0	30.358.504
Net profit/loss for the year	0	0	4.990.705	4.990.705
Transfer from share premium account	0	-30.156.502	30.156.502	0
Equity at 31 December 2023	**1.063.452**	**0**	**90.226.649**	**91.290.101**

PARENT COMPANY

	Share capital	Share premium account	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2023	861.450	0	22.585.301	60.607.062	61.468.512
Cash capital increase	0	0	-89.758.450	-5.527.620	-95.286.070
Adjusted equity at 1 January 2023	861.450	0	0	55.079.442	55.940.892
Cash capital increase	202.002	30.156.502	0	0	30.358.504
Net profit/loss for the year	0	0	3.864.619	1.126.086	4.990.705
Transfer from share premium account	0	-30.156.502	0	30.156.502	0
Equity at 31 December 2023	1.063.452	0	3.864.619	86.362.030	91.290.101

Notes

		GROUP		PARENT COMPANY	
		2023	2022	2023	2022
		DKK	TDKK	DKK	TDKK
1	**Staff costs**				
	Wages and salaries	1.283.167	548	524.977	548
	Other social security costs	5.733	2	5.733	2
	Other staff costs	3.000	34	3.000	34
		1.291.900	**584**	**533.710**	**584**
	Number of fulltime employees on average	3	3	1	1
2	**Financial income**				
	Interest received from subsidiaries	0	0	19.894	0
	Other financial income	771.650	602	21.060	0
		771.650	**602**	**40.954**	**0**
3	**Financial costs**				
	Other financial costs	4.772.049	5.655	3.060.381	3.420
		4.772.049	**5.655**	**3.060.381**	**3.420**
4	**Tax on profit/loss for the year**				
	Current tax for the year	-144.780	-210	0	0
		-144.780	**-210**	**0**	**0**

Notes

(Continued)

5 Intangible assets

GROUP

	Goodwill
Cost at 1 January 2023	55.276.206
Cost at 31 December 2023	55.276.206
Impairment losses and amortisation at 1 January 2023	5.527.621
Depreciation for the year	5.527.621
Impairment losses and amortisation at 31 December 2023	11.055.242
Carrying amount at 31 December 2023	**44.220.964**

PARENT COMPANY

	Other fix-tures and fittings, tools and equipment
Cost at 1 January 2023	210.200
Disposals for the year	-210.200
Impairment losses and depreciation at 1 January 2023	40.872
Depreciation for the year	64.228
Reversal of impairment and depreciation of disposed assets	-105.100
Carrying amount at 31 December 2023	**0**

Notes

(Continued)

		PARENT COMPANY	
		2023	2022
		DKK	TDKK
6	**Investments in subsidiaries**		
	Cost at 1 January 2023	56.000.000	56.000
	Additions for the year	0	2.625
	Disposals for the year	0	-2.625
	Cost at 31 December 2023	56.000.000	56.000
	Revaluations at 1 January 2023	-5.527.621	0
	Disposals for the year	0	0
	Revaluations for the year, net	14.919.860	0
	Revaluations at 31 December 2023	3.864.619	-5.528
	Carrying amount at 31 December 2023	**59.864.619**	**50.472**

GROUP

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Sofia Residential BG ApS	Copenhagen, Denmark	100%

Notes

(Continued)

7 Other receivables

The following trade receivables fall due for payment more than 1 year after year end. Group: TDKK 19.840. Parent company: TDKK 13.

8 Contingent liabilities

The company is jointly taxed with its parent company, Kindco ApS (management company), and has limited and secondary liability together with other jointly taxed entities for payment of income taxes for income year 2020 and onwards.

A Bulgarian subsidiary of the group has an ongoing tax case with the Bulgarian authorities totaling TBGN 89 (TDKK 339). The group has already been successful in the first instance regarding the largest part (TBGN 84: TDKK 318). A complaint has been filed with the Sofia City Administrative Court for cancellation of the remaining obligations under the act. A case is bending before the Sofia Administrative Court.

The management of the Group considers that the above mentioned acts are unfounded and that the probability that they will lead to a demend for settlement is small.

9 Mortgages and collateral

The group has no mortgages and collateral.