
Epsilon K/S

Southamptongade 4, DK-2150 Nordhavn

Annual Report for 2022

CVR No. 41 91 70 75

The Annual Report was
presented and adopted
at the Annual General
Meeting of the limited
partnership
on 22/6 2023

Kasper Juulsgaard
Sørensen
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of Epsilon K/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Limited Partnership and the Group and of the results of the Limited Partnership and Group operations and of consolidated cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Nordhavn, 22 June 2023

Executive Board

Thomas Ebbe Riise-Jakobsen

Rune Højby Kock

Henrik Skak Bender

Stine Seneberg

Independent Auditor's report

To the limited partners of Epsilon K/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Epsilon K/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the 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 in Management's Review.

Management's responsibilities for 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, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Trekantområdet, 22 June 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Morten Jacobsen
State Authorised Public Accountant
mne44140

Company information

The Company	Epsilon K/S Southamptongade 4 DK-2150 Nordhavn CVR No: 41 91 70 75 Financial period: 1 January - 31 December Incorporated: 7 December 2020 Financial year: 3rd financial year Municipality of reg. office: Copenhagen
Executive Board	Thomas Ebbe Riise-Jakobsen Rune Højby Kock Henrik Skak Bender Stine Seneberg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle
Bankers	Danske Bank Lerso Parkalle 100 DK-2100 København Ø Jyske Bank A/S Vesterbrogade 9 DK-1780 København V

Group Chart

Company	Residence	Ownership
Epsilon K/S	Nordhavn	
Woods Office Telefonvej ApS	Nordhavn	100 %
Epsilon Woods ApS	Nordhavn	100 %
Woods Office Nybrovej Holding ApS	Nordhavn	100 %
Woods Office Nybrovej K/S	Nordhavn	100 %
Woods Office Vandtårnsvej ApS	Nordhavn	100 %
VAT83 ApS	Nordhavn	100 %

Financial Highlights

Seen over a 2-year period, the development of the Group is described by the following financial highlights:

	Group	
	2022	2021
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	27,244	26,160
Profit/loss of ordinary primary operations	47,600	97,474
Profit/loss of financial income and expenses	-22,178	-21,558
Net profit/loss	23,654	66,516
Balance sheet		
Balance sheet total	800,269	747,606
Investment in property, plant and equipment	16,068	56,233
Equity	86,474	62,820
Cash flows		
Cash flows from:		
- operating activities	6,048	-9,938
- investing activities	-16,068	-255,732
- financing activities	28,272	281,802
Change in cash and cash equivalents for the year	18,253	16,132
Ratios		
Return on assets	5.9%	13.0%
Solvency ratio	10.8%	8.4%
Return on equity	31.7%	211.8%

Management's review

Key activities

The group's key activity is to conduct business by investment in real estate, administration and management of real estate, development of real estate and any other activity that the board of directors deem related thereto and any other activity that the executive board deem related thereto.

Development in the year

The income statement of the Group for 2022 shows a profit of DKK 23,654,138, and at 31 December 2022 the balance sheet of the Group shows positive equity of DKK 86,474,203.

Targets and expectations for the year ahead

Management expects earnings for 2023 to be at the same level as 2022 except value adjustments of investments properties.

Research and development

The group does not have any research and development activities.

Intellectual capital resources

The group has no employees.

Uncertainty relating to recognition and measurement

The group measures investment properties at fair value by using a Discounted Cash Flow model under which expected future cash flows are discounted to present value.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

Unusual events

The financial position at 31 December 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Gross profit before value adjustments		27,243,641	26,160,495	-96,265	-68,197
Value adjustments of assets held for investment		20,356,353	71,313,332	0	0
Gross profit/loss after value adjustments		47,599,994	97,473,827	-96,265	-68,197
Financial income	2	12	0	7	0
Financial expenses	3	-22,178,118	-21,558,172	-51,868	-13,252
Profit/loss before tax		25,421,888	75,915,655	-148,126	-81,449
Tax on profit/loss for the year	4	-1,767,750	-9,399,383	0	0
Net profit/loss for the year	5	23,654,138	66,516,272	-148,126	-81,449

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2022 DKK	2021 DKK	2022 DKK	2021 DKK
Investment properties		758,983,272	722,559,322	0	0
Property, plant and equipment	6	758,983,272	722,559,322	0	0
Investments in subsidiaries	7	0	0	40,000	40,000
Fixed asset investments		0	0	40,000	40,000
Fixed assets		758,983,272	722,559,322	40,000	40,000
Trade receivables		1,332	0	0	0
Other receivables		4,011,863	5,632,253	0	0
Corporation tax		1,108,343	0	0	0
Prepayments	8	1,779,984	3,282,333	0	0
Receivables		6,901,522	8,914,586	0	0
Cash at bank and in hand		34,384,409	16,131,657	295,609	8,243
Current assets		41,285,931	25,046,243	295,609	8,243
Assets		800,269,203	747,605,565	335,609	48,243

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Share capital		1	1	1	1
Retained earnings		86,474,202	62,820,064	-248,688	-100,562
Equity		86,474,203	62,820,065	-248,687	-100,561
Provision for deferred tax	9	43,881,683	40,818,311	0	0
Provisions		43,881,683	40,818,311	0	0
Mortgage loans		367,079,479	374,627,507	0	0
Payables to group enterprises		245,934,864	228,015,907	545,411	103,916
Payables to group enterprises relating to corporation tax		0	1,974,346	0	0
Deposits		4,954,281	4,828,912	0	0
Long-term debt	10	617,968,624	609,446,672	545,411	103,916
Mortgage loans	10	7,479,650	7,007,934	0	0
Credit institutions		20,100,000	2,600,829	0	0
Prepayments received from customers		0	1,276,243	0	0
Trade payables		6,065,057	6,881,769	38,885	44,888
Corporation tax		0	1,408,266	0	0
Payables to group enterprises relating to corporation tax		2,912,894	800,008	0	0
Deposits		9,638,281	7,927,098	0	0
Other payables		5,491,201	6,053,692	0	0
Deferred income	11	257,610	564,678	0	0
Short-term debt		51,944,693	34,520,517	38,885	44,888
Debt		669,913,317	643,967,189	584,296	148,804
Liabilities and equity		800,269,203	747,605,565	335,609	48,243

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Statement of changes in equity

Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1	62,820,064	62,820,065
Net profit/loss for the year	0	23,654,138	23,654,138
Equity at 31 December	1	86,474,202	86,474,203

Parent company

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1	-100,562	-100,561
Net profit/loss for the year	0	-148,126	-148,126
Equity at 31 December	1	-248,688	-248,687

Cash flow statement 1 January - 31 December

		Group	
	Note	2022	2021
		DKK	DKK
Result of the year		23,654,138	66,516,272
Adjustments	12	3,589,503	-40,355,777
Change in working capital	13	2,065,101	-14,137,914
Cash flow from operations before financial items		29,308,742	12,022,581
Financial income		12	0
Financial expenses		-22,178,118	-21,558,172
Cash flows from ordinary activities		7,130,636	-9,535,591
Corporation tax paid		-1,082,447	-402,386
Cash flows from operating activities		6,048,189	-9,937,977
Purchase of property, plant and equipment		-16,067,597	0
Business acquisition		0	-255,731,990
Cash flows from investing activities		-16,067,597	-255,731,990
Repayment of mortgage loans		-7,145,968	0
Repayment of other long-term debt		0	-77,480,685
Raising of mortgage loans		0	128,709,009
Raising of loans from credit institutions		17,499,171	2,600,829
Raising of payables to group enterprises		17,918,957	227,972,471
Cash flows from financing activities		28,272,160	281,801,624
Change in cash and cash equivalents		18,252,752	16,131,657
Cash and cash equivalents at 1 January		16,131,657	0
Cash and cash equivalents at 31 December		34,384,409	16,131,657
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		34,384,409	16,131,657
Cash and cash equivalents at 31 December		34,384,409	16,131,657

Notes to the Financial Statements

1. Staff

Average number of employees

Group		Parent company	
2022	2021	2022	2021
0	0	0	0

2. Financial income

Exchange adjustments

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK
12	0	7	0
12	0	7	0

3. Financial expenses

Interest paid to group enterprises

Other financial expenses

Exchange adjustments, expenses

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK
18,491,100	16,766,241	31,495	3,739
3,686,842	4,791,877	20,197	9,459
176	54	176	54
22,178,118	21,558,172	51,868	13,252

4. Income tax expense

Current tax for the year

Deferred tax for the year

Adjustment of tax concerning previous years

Adjustment of deferred tax concerning previous years

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK
3,043,696	4,245,142	0	0
1,405,921	-5,322,778	0	0
-4,357,534	286,886	0	0
1,675,667	10,190,133	0	0
1,767,750	9,399,383	0	0

Notes to the Financial Statements

Parent company	
2022	2021
DKK	DKK

5. Profit allocation

Retained earnings	-148,126	-81,449
	<u>-148,126</u>	<u>-81,449</u>

6. Assets measured at fair value

Group

	Investment properties DKK
Cost at 1 January	506,385,240
Additions for the year	16,067,597
Cost at 31 December	<u>522,452,837</u>
Value adjustments at 1 January	216,174,081
Revaluations for the year	20,356,354
Value adjustments at 31 December	<u>236,530,435</u>
Carrying amount at 31 December	<u>758,983,272</u>

Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The fair value is calculated by using generally accepted valuation methods.

The fair value of investment properties has been calculated based on the following assumptions:

	2022
The fair value of investment properties amounts to	758,983,272
Value adjustment, income statement	20,356,353
Average WACC	6.63-8.00%
Exit yield	4.63-6.00%

Notes to the Financial Statements

The fair value of investment properties at 31 December 2022 has been assessed by an independent assessor.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

	Parent company	
	2022	2021
	DKK	DKK
7. Investments in subsidiaries		
Cost at 1 January	40,000	40,000
Cost at 31 December	40,000	40,000
Carrying amount at 31 December	40,000	40,000

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership	Equity	Net profit/loss for the year
Epsilon Woods ApS	Nordhavn	40,000	100%	35,334,204	-13,822,352
				35,334,204	-13,822,352

8. Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
9. Provision for deferred tax				
Deferred tax liabilities at 1 January	40,818,311	-4,015	0	0
Amounts recognised from purchased companies		35,954,971		
Amounts recognised in the income statement for the year	3,063,372	4,867,355	0	0
Deferred tax liabilities at 31 December	43,881,683	40,818,311	0	0

Notes to the Financial Statements

10. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
Mortgage loans				
After 5 years	302,556,663	344,016,001	0	0
Between 1 and 5 years	64,522,816	30,611,506	0	0
Long-term part	367,079,479	374,627,507	0	0
Within 1 year	7,479,650	7,007,934	0	0
	374,559,129	381,635,441	0	0
Payables to group enterprises				
After 5 years	245,934,864	228,015,907	545,411	103,916
Long-term part	245,934,864	228,015,907	545,411	103,916
Within 1 year	0	0	0	0
	245,934,864	228,015,907	545,411	103,916
Payables to group enterprises relating to corporation tax				
Between 1 and 5 years	0	1,974,346	0	0
Long-term part	0	1,974,346	0	0
Within 1 year	2,912,894	800,008	0	0
	2,912,894	2,774,354	0	0
Deposits				
After 5 years	0	0	0	0
Between 1 and 5 years	4,954,281	4,828,912	0	0
Long-term part	4,954,281	4,828,912	0	0
Within 1 year	1,411,125	0	0	0
Other deposits	8,227,156	7,927,098	0	0
Short-term part	9,638,281	7,927,098	0	0
	14,592,562	12,756,010	0	0

Notes to the Financial Statements

11. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Group	
2022	2021
DKK	DKK

12. Cash flow statement - Adjustments

Financial income	-12	0
Financial expenses	22,178,118	21,558,172
Value adjustments of assets held for investment	-20,356,353	-71,313,332
Tax on profit/loss for the year	1,767,750	9,399,383
	3,589,503	-40,355,777

Group	
2022	2021
DKK	DKK

13. Cash flow statement - Change in working capital

Change in receivables	3,121,407	-6,770,958
Change in trade payables, etc	-1,056,306	-7,366,956
	2,065,101	-14,137,914

Group		Parent company	
2022	2021	2022	2021
DKK	DKK	DKK	DKK

14. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Investment properties with a carrying amount of	758,983,272	722,559,322	0	0
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Notes to the Financial Statements

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income as well as for Danish withholding taxes through dividend tax and tax on unearned income. The total amount of tax payables is included in the Annual Report of NSF IV Denmark Advisory ApS that is the administration Company in relation to the joint taxation.

15. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
NREP NSF IV Holding 2 S.à.r.l	Parent
Consolidated Financial Statements	
The Company is included in the Group Annual Report of the Parent Company:	
<u>Name</u>	<u>Place of registered office</u>
NREP Nordic Strategies Fund IV LP	Luxembourg

Notes to the Financial Statements

16. Accounting policies

The Annual Report of Epsilon K/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Epsilon K/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Notes to the Financial Statements

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Net sales

Rental income is recognised on a straight line-basis over the term of the lease.

Revenue from rental income is recognised in the income statement at amounts relating to the financial year when revenue can be measured reliably and its probable that the economic benefits will flow to the Company. Revenue is recognised exclusive of VAT and net of discounts.

Other external expenses

Other external expenses comprise expenses for premises and as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Notes to the Financial Statements

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Investment properties

Investment properties constitute land and buildings held to earn a return on the invested capital by way of current operating income and/or capital appreciation on sale.

On acquisition investment properties are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed assets comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of properties are recognised in cost over the construction period.

When the fair value can be measured reliably, the property is measured at fair value less cost to complete.

In Management's opinion the classification of the properties as investment properties did not cause any difficulties.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

The estimates applied are based on historical information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

Discounted Cash Flow model

The fair value of investment properties has been determined at 31 December 2022 for each property by using a Discounted Cash Flow model under which expected future cash flows are discounted to present value. The calculations are based on property budgets for the coming years. Allowance has been made for developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The individual, budgeted cash flows are discounted at an individually fixed discount rate added a terminal value. The value thus calculated is adjusted for any non-operating assets such as cash and cash equivalents, deposits, etc if they are not shown separately in the balance sheet.

Notes to the Financial Statements

The value thus calculated is adjusted for any non-operating assets such as cash and cash equivalents, deposits, etc if they are not shown separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit before financials} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$