



CER III Denmark Residential 3 K/S

Meldahlsgade 5
1613 Copenhagen V
CVR No. 42207853

Annual report 10.03.2021 - 30.06.2022

The Annual General Meeting adopted the
annual report on 16.12.2022

Helene Egede Scotwin
Chairman of the General Meeting

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Entity details

Entity

CER III Denmark Residential 3 K/S

Meldahlsgade 5

1613 Copenhagen V

Business Registration No.: 42207853

Registered office: Copenhagen

Financial year: 10.03.2021 - 30.06.2022

Board of Directors

CER III Denmark 3 ApS

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors has today considered and approved the annual report of CER III Denmark Residential 3 K/S for the financial year 10.03.2021 - 30.06.2022.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2022 and of the results of its operations for the financial year 10.03.2021 - 30.06.2022.

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

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

Copenhagen, 16.12.2022

Board of Directors

CER III Denmark 3 ApS

Independent auditor's report

To the shareholders of CER III Denmark Residential 3 K/S

Opinion

We have audited the financial statements of CER III Denmark Residential 3 K/S for the financial year 10.03.2021 - 30.06.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2022 and of the results of its operations for the financial year 10.03.2021 - 30.06.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity'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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Copenhagen, 16.12.2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Thomas Frommelt Hertz

State Authorised Public Accountant

Identification No (MNE) mne31543

Management commentary

Primary activities

The objective of the Company is to acquire real estate properties for investment purposes.

Description of material changes in activities and finances

The Company's income statement for the year ended 30 June 2022 showed a profit of DKK 39,475 thousand and the Company's balance sheet at 30 June 2022 showed equity of DKK 96.115 thousand.

Uncertainty relating to recognition and measurement

The company's Investment property is measured at fair value, which at the balance date is 318 mio. DKK. The fair value of the property is calculated on the basis of a number of assumptions, including the expected normal earnings of the property and fixed yield claims, as mentioned in the description of the accounting policies used.

The yield requirement is set so that it is considered to reflect the current yield requirements of the market on similar property and on the basis of concrete negotiations on the sale of the property.

There is considerable uncertainty associated with the setting of the yield requirement, and a change in the yield requirement upwards or downwards by 0,5% points will affect the fair value by DKK -47,5 mio. DKK and 67,7 mio. DKK respectively

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.

Income statement for 2021/22

	Notes	2021/22 DKK
Gross profit/loss		7,658,264
Fair value adjustments of investment property	1	36,400,000
Operating profit/loss		44,058,264
Other financial expenses	2	(4,583,127)
Profit/loss for the year		39,475,137
Proposed distribution of profit and loss		
Ordinary dividend for the financial year		3,129,442
Retained earnings		36,345,695
Proposed distribution of profit and loss		39,475,137

Balance sheet at 30.06.2022

Assets

	Notes	2021/22 DKK
Investment property		318,000,000
Property, plant and equipment	3	318,000,000
Fixed assets		318,000,000
Trade receivables		1,473
Receivables from group enterprises		100,000
Other receivables		50,951
Receivables		152,424
Cash		12,058,288
Current assets		12,210,712
Assets		330,210,712

Equity and liabilities

	Notes	2021/22 DKK
Contributed capital		56,640,000
Retained earnings		36,345,695
Proposed dividend		3,129,442
Equity		96,115,137
Other provisions		209,311
Provisions		209,311
Mortgage debt		161,451,441
Non-current liabilities other than provisions	4	161,451,441
Deposits		3,892,038
Trade payables		758,677
Payables to group enterprises		67,425,673
Other payables	5	358,435
Current liabilities other than provisions		72,434,823
Liabilities other than provisions		233,886,264
Equity and liabilities		330,210,712
Assets charged and collateral	6	

Statement of changes in equity for 2021/22

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Contributed upon formation	100,000	0	0	100,000
Increase of capital	56,540,000	0	0	56,540,000
Profit/loss for the year	0	36,345,695	3,129,442	39,475,137
Equity end of year	56,640,000	36,345,695	3,129,442	96,115,137

Notes

1 Fair value adjustments of investment property

The company's investment property is a residential building with 70 residential units in Copenhagen, Denmark.

The investment property, cf. the description of accounting policies, is measured at fair value based on a discounted cash flow valuation model.

Yield, which are the basis for the terminal value and discount rate is fixed for the individual property in consideration of location, condition, tenant mix, non-terminability profile, tenants' standing and on an estimate of how the general property market is developing.

Yield used for the valuation at 30 June 2022 is 2.85%. An increase in the required rate of return by 0.5% points will reduce the fair value by approx. 47,5mio.DKK.

A decrease in the required rate of return by 0.5% will increase the fair value by approx. 67,7 mio.DKK.

An external appraiser has been used to determine the fair value.

2 Other financial expenses

Other financial expenses relates to interests from priority debt and intercompany debt.

3 Property, plant and equipment

	Investment property DKK
Additions	281,600,000
Cost end of year	281,600,000
Revaluations for the year	36,400,000
Revaluations end of year	36,400,000
Carrying amount end of year	318,000,000

4 Non-current liabilities other than provisions

	Due after more than 12 months 2021/22 DKK	Outstanding after 5 years 2021/22 DKK
Mortgage debt	161,451,441	161,451,441
	161,451,441	161,451,441

5 Other payables

	2021/22
	DKK
Other costs payable	358,435
	358,435

6 Assets charged and collateral

Assets charged and collateral - Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 318.000 thousand DKK.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises rental income and external expenses.

Revenue

Revenue, comprising rental income, is recognised in the period which it relates.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments 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 administration 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.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Balance sheet**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 the DCF model as the calculated value in use of expected cash flows from each property. To determine expected cash flows, the budgeted cash flows for each property for the next years are used, including increases in price and rent levels, and a calculated terminal value which reflects the amount of normalised cash flows expected to be generated by the property after the budget period. The cash flows so calculated are discounted to net present value by using a discount rate that is estimated to reflect current market-required yield rates for similar properties inclusive of expected inflation.

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

Receivables

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.