
TRC HoldCo ApS

Southamptongade 4, DK-2150 Nordhavn

Annual Report for 1 January - 31 December 2022

CVR No 42 27 90 72

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
13/6 2023

Kasper Juulsgaard
Sørensen
Chairman of the General
Meeting



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Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board has today considered and adopted the Annual Report of TRC HoldCo ApS for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company 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 Annual Report be adopted at the Annual General Meeting.

Copenhagen, 13 June 2023

Executive Board

Henrik Skak Bender

Rune Højby Kock

Stine Seneberg

Thomas Ebbe Riise-Jakobsen

Independent Auditor's Report

To the Shareholder of TRC HoldCo ApS

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 TRC HoldCo ApS 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.

Independent Auditor's Report

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the 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 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 Company's and the Group'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

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 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.

Esbjerg, 13 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jannick Kjersgaard
statsautoriseret revisor
mne29440

Hans Baunsgaard Eskildsen
statsautoriseret revisor
mne45827

Company Information

The Company

TRC HoldCo ApS
Southamptongade 4
DK-2150 Nordhavn

CVR No: 42 27 90 72
Financial period: 1 January - 31 December
Incorporated: 26 March 2021
Financial year: 2nd financial year
Municipality of reg. office: Copenhagen

Executive Board

Henrik Skak Bender
Rune Højby Kock
Stine Seneberg
Thomas Ebbe Riise-Jakobsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Esbjerg Brygge 28
DK-6700 Esbjerg

Financial Highlights

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

	Group	
	2022 TDKK	2021 TDKK
Key figures		
Profit/loss		
Operating profit/loss	-50.267	170.521
Profit/loss before financial income and expenses	-50.267	170.521
Net financials	-13.289	-13.803
Net profit/loss for the year	-50.936	121.257
Balance sheet		
Balance sheet total	811.484	886.809
Equity	143.776	82.712
Cash flows		
Cash flows from:		
- operating activities	-2.396	-43.012
- investing activities	-514	-130.012
including investment in property, plant and equipment	-514	0
- financing activities	-2.876	166.317
Change in cash and cash equivalents for the year	-5.786	-6.707
Number of employees	0	0
Ratios		
Return on assets	-6,2%	19,2%
Solvency ratio	17,7%	9,3%
Return on equity	-45,0%	293,2%

Management's Review

Key activities

The company's key activity is to conduct business by buying and selling real estate, administration and management of real estate, real estate development and other company that, in the opinion of the Executive Board, is connected with this.

Development in the year

The income statement of the Group for 2022 shows a loss of DKK 50,935,613, and at 31 December 2022 the balance sheet of the Group shows equity of DKK 143,776,124.

The income statement of the parent company for 2022 shows a profit of DKK 5,654,565, and at 31 December 2022 the balance sheet shows equity of DKK 114,905,804.

The past year and follow-up on development expectations from last year

The result for the year is considered unsatisfactory, but expected as a result of market developments.

Targets and expectations for the year ahead

The expected gross profit before value adjustments for the group in 2023 is between 24 and 25 mDKK

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not - besides usual uncertainty related to estimates - been subject to uncertainty.

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 DKK	26/03/2021 - 31/12-2021 DKK	2022 DKK	26/03/2021 - 31/12-2021 DKK
Gross profit/loss before value adjustments		20.545.783	19.517.515	-175.637	-83.916
Value adjustments of assets held for investment		-70.812.630	151.003.847	0	0
Gross profit/loss		-50.266.847	170.521.362	-175.637	-83.916
Income from investments in subsidiaries		0	0	11.000.000	0
Financial income	2	3.481	1.104.882	5.359.671	5.088.730
Financial expenses	3	-13.292.568	-14.908.055	-11.117.161	-8.580.149
Profit/loss before tax		-63.555.934	156.718.189	5.066.873	-3.575.335
Tax on profit/loss for the year	4	12.620.321	-35.461.656	587.692	786.574
Net profit/loss for the year		-50.935.613	121.256.533	5.654.565	-2.788.761

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2022 DKK	2021 DKK	2022 DKK	2021 DKK
Investment properties		804.701.593	875.000.000	0	0
Property, plant and equipment	5	804.701.593	875.000.000	0	0
Investments in subsidiaries	6	0	0	138.364.421	138.131.656
Receivables from group enterprises	7	0	0	129.949.033	185.423.444
Fixed asset investments		0	0	268.313.454	323.555.100
Fixed assets		804.701.593	875.000.000	268.313.454	323.555.100
Trade receivables		177.832	0	0	0
Receivables from group enterprises		0	0	11.000.000	0
Other receivables		339.778	288.269	0	0
Deferred tax asset	8	0	0	706.085	786.574
Corporation tax receivable from group enterprises		540.791	0	668.181	0
Prepayments	9	240.165	250.582	0	0
Receivables		1.298.566	538.851	12.374.266	786.574
Cash at bank and in hand		5.483.826	11.269.996	1.214.153	1.834.197
Currents assets		6.782.392	11.808.847	13.588.419	2.620.771
Assets		811.483.985	886.808.847	281.901.873	326.175.871

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2022 DKK	2021 DKK	2022 DKK	2021 DKK
Share capital		50.000	40.000	50.000	40.000
Retained earnings		143.726.124	82.671.737	114.855.804	-2.788.761
Equity		143.776.124	82.711.737	114.905.804	-2.748.761
Provision for deferred tax	8	58.712.249	70.791.779	0	0
Provisions		58.712.249	70.791.779	0	0
Mortgage loans		385.239.490	324.998.778	0	0
Payables to group enterprises		205.580.824	328.852.807	166.943.936	328.852.807
Deposits		11.360.706	7.959.446	0	0
Other payables		0	55.198.783	0	0
Long-term debt	11	602.181.020	717.009.814	166.943.936	328.852.807
Credit institutions		3.944	0	3.944	0
Trade payables		6.804.865	9.701.538	48.189	71.825
Payables to group enterprises	11	0	51.020	0	0
Other payables	11	5.783	6.542.959	0	0
Short-term debt		6.814.592	16.295.517	52.133	71.825
Debt		608.995.612	733.305.331	166.996.069	328.924.632
Liabilities and equity		811.483.985	886.808.847	281.901.873	326.175.871
Subsequent events	16				

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>
Distribution of profit	10
Contingent assets, liabilities and other financial obligations	14
Related parties	15
Accounting Policies	17

Statement of Changes in Equity

Group

	Share capital	Share premium	Retained	Total
	DKK	account	earnings	DKK
	DKK	DKK	DKK	DKK
Equity at 1 January	40.000	0	82.671.737	82.711.737
Cash capital increase	10.000	111.990.000	0	112.000.000
Net profit/loss for the year	0	0	-50.935.613	-50.935.613
Transfer from share premium account	0	-111.990.000	111.990.000	0
Equity at 31 December	50.000	0	143.726.124	143.776.124

Parent Company

Equity at 1 January	40.000	0	-2.788.761	-2.748.761
Cash capital increase	10.000	111.990.000	0	112.000.000
Net profit/loss for the year	0	0	5.654.565	5.654.565
Transfer from share premium account	0	-111.990.000	111.990.000	0
Equity at 31 December	50.000	0	114.855.804	114.905.804

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2022 DKK	26/03/2021 - 31/12-2021 DKK
Net profit/loss for the year		-50.935.613	121.256.533
Adjustments	12	71.481.396	-102.584.476
Change in working capital	13	-9.652.753	-47.881.281
Cash flows from operating activities before financial income and expenses		10.893.030	-29.209.224
Financial income		3.482	1.104.881
Financial expenses		-13.292.568	-14.908.054
Cash flows from operating activities		-2.396.056	-43.012.397
Purchase of property, plant and equipment		-514.223	0
Fixed asset investments made etc		0	-138.131.656
Sale of investment properties		0	8.119.961
Cash flows from investing activities		-514.223	-130.011.695
Repayment of mortgage loans		0	-162.586.518
Repayment of payables to group enterprises		-123.323.003	0
Repayment of other long-term debt		-55.198.784	0
Raising of mortgage loans		60.240.712	0
Raising of loans from credit institutions		3.944	0
Raising of loans from group enterprises		0	328.903.827
Raising of other long-term debt		3.401.240	0
Cash capital increase		112.000.000	0
Cash flows from financing activities		-2.875.891	166.317.309
Change in cash and cash equivalents		-5.786.170	-6.706.783
Cash and cash equivalents at beginning of year		11.269.996	17.976.779
Cash and cash equivalents at 31 December		5.483.826	11.269.996
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5.483.826	11.269.996
Cash and cash equivalents at 31 December		5.483.826	11.269.996

Notes to the Financial Statements

	Group		Parent Company	
	<u>2022</u> DKK	<u>26/03/2021 -</u> <u>31/12-2021</u> DKK	<u>2022</u> DKK	<u>26/03/2021 -</u> <u>31/12-2021</u> DKK
1 Staff expenses				
Average number of employees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
2 Financial income				
Interest received from group enterprises	0	845.458	5.359.627	5.088.730
Other financial income	3.430	259.424	0	0
Exchange adjustments	51	0	44	0
	<u>3.481</u>	<u>1.104.882</u>	<u>5.359.671</u>	<u>5.088.730</u>
3 Financial expenses				
Interest paid to group enterprises	11.239.664	14.895.170	11.102.742	8.567.264
Other financial expenses	2.021.982	12.885	14.216	12.885
Exchange adjustments, expenses	30.922	0	203	0
	<u>13.292.568</u>	<u>14.908.055</u>	<u>11.117.161</u>	<u>8.580.149</u>
4 Tax on profit/loss for the year				
	<u>2022</u> DKK	<u>26/03/2021 -</u> <u>31/12-2021</u> DKK	<u>2022</u> DKK	<u>26/03/2021 -</u> <u>31/12-2021</u> DKK
Current tax for the year	-503.825	0	-640.882	0
Deferred tax for the year	-11.797.906	35.461.656	0	-786.574
Adjustment of tax concerning previous years	-36.966	0	-27.299	0
Adjustment of deferred tax concerning previous years	-281.624	0	80.489	0
	<u>-12.620.321</u>	<u>35.461.656</u>	<u>-587.692</u>	<u>-786.574</u>

Notes to the Financial Statements

5 Assets measured at fair value

	<u>Group</u>
	Investment pro- perties
	DKK
Cost at 1 January	723.996.153
Additions for the year	514.223
Cost at 31 December	<u>724.510.376</u>
Value adjustments at 1 January	151.003.847
Revaluations for the year	<u>-70.812.630</u>
Value adjustments at 31 December	<u>80.191.217</u>
Carrying amount at 31 December	<u>804.701.593</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 (DCF's calculations) based on Management's expectations for future cash flows, return requirements etc.

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

	<u>2022</u>
	DKK
Exit yield	3,51%
Average WACC	5,51%

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.

Notes to the Financial Statements

	Parent Company	
	2022	2021
	DKK	DKK
6 Investments in subsidiaries		
Cost at 1 January	138.131.656	0
Additions for the year	232.765	138.131.656
Carrying amount at 31 December	138.364.421	138.131.656

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
NREP Income+ Fund ScSp Residential Enghave					
Brygge A/S	Copenhagen	10.000.000	100%	167.234.741	-45.357.413

7 Other fixed asset investments

	Parent Company
	Receivables from group enterprises DKK
Cost at 1 January	185.423.444
Disposals for the year	-55.474.411
Cost at 31 December	129.949.033
Carrying amount at 31 December	129.949.033

Notes to the Financial Statements

	Group		Parent Company	
	2022 DKK	2021 DKK	2022 DKK	2021 DKK
8 Provision for deferred tax				
Provision for deferred tax at 1 January	70.791.779	0	-786.574	0
Amounts recognised in the income statement for the year	-12.079.530	35.461.656	80.489	-786.574
Amounts recognised in equity for the year	0	35.330.123	0	0
Provision for deferred tax at 31 December	58.712.249	70.791.779	-706.085	-786.574

9 Prepayments

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

	Group		Parent Company	
	2022 DKK	26/03/2021 - 31/12-2021 DKK	2022 DKK	26/03/2021 - 31/12-2021 DKK
10 Distribution of profit				
Retained earnings	-50.935.613	121.256.533	5.654.565	-2.788.761
	-50.935.613	121.256.533	5.654.565	-2.788.761

Notes to the Financial Statements

11 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 DKK	2021 DKK	2022 DKK	2021 DKK
Mortgage loans				
After 5 years	385.239.490	324.998.778	0	0
Long-term part	385.239.490	324.998.778	0	0
Within 1 year	0	0	0	0
	385.239.490	324.998.778	0	0
Payables to group enterprises				
After 5 years	205.580.824	268.108.000	166.943.936	268.108.000
Between 1 and 5 years	0	60.744.807	0	60.744.807
Long-term part	205.580.824	328.852.807	166.943.936	328.852.807
Other short-term debt to group enterprises	0	51.020	0	0
	205.580.824	328.903.827	166.943.936	328.852.807
Deposits				
After 5 years	11.360.706	7.959.446	0	0
Long-term part	11.360.706	7.959.446	0	0
Within 1 year	0	0	0	0
	11.360.706	7.959.446	0	0
Other payables				
After 5 years	0	55.198.783	0	0
Long-term part	0	55.198.783	0	0
Other short-term payables	5.783	6.542.959	0	0
	5.783	61.741.742	0	0

Notes to the Financial Statements

	<u>Group</u>	
	2022	26/03/2021 - 31/12-2021
	DKK	DKK
12 Cash flow statement - adjustments		
Financial income	-3.481	-1.104.882
Financial expenses	13.292.568	14.908.055
Revaluations for the year	70.812.630	-151.003.847
Tax on profit/loss for the year	-12.620.321	35.461.656
Other adjustments	0	-845.458
	<u>71.481.396</u>	<u>-102.584.476</u>
13 Cash flow statement - change in working capital		
Change in receivables	-218.924	-281.196
Change in trade payables, etc	-9.433.829	-47.600.085
	<u>-9.652.753</u>	<u>-47.881.281</u>

	<u>Group</u>		<u>Parent Company</u>	
	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	804.701.593	875.000.000	0	0
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Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of NIP Denmark Advisory ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

15 Related parties

Basis

Controlling interest

NREP Income+ Fund ScSp

Ultimate principal shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name

Place of registered office

NREP Income+ Fund ScSp

Luxembourg

16 Subsequent events

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of TRC HoldCo ApS 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 and 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, TRC HoldCo ApS, 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Translation policies

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

Revenue

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 it is 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, sales and distribution as well as office expenses, etc.

Gross profit/loss

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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 enterprises. The tax effect of the joint taxation is allocated to 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 investment properties 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 investment properties are recognised in cost over the construction period.

After the initial recognition investment properties are measured at fair value. Value adjustments of investment properties are recognised in the income statement.

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.

Investments in subsidiaries

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of long term receivables which 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.

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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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