



CER III Denmark Residential 5 K/S

Bredgade 45 A, 2. tv
1260 København K København K
CVR No. 42869821

Annual report 01.07.2022 - 30.06.2023

The Annual General Meeting adopted the annual
report on 27.11.2023

Mikkel Hanskov
Chairman of the General Meeting

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Entity details

Entity

CER III Denmark Residential 5 K/S
Bredgade 45 A, 2. tv
1260 København K København K

Business Registration No.: 42869821
Registered office: Copenhagen
Financial year: 01.07.2022 - 30.06.2023

Executive Board

CER III Denmark 3 ApS

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of CER III Denmark Residential 5 K/S for the financial year 01.07.2022 - 30.06.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2023 and of the results of its operations for the financial year 01.07.2022 - 30.06.2023.

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

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

Copenhagen, 27.11.2023

Executive Board

CER III Denmark 3 ApS

Independent auditor's report

To the shareholders of CER III Denmark Residential 5 K/S

Opinion

We have audited the financial statements of CER III Denmark Residential 5 K/S for the financial year 01.07.2022 - 30.06.2023, 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 30.06.2023 and of the results of its operations for the financial year 01.07.2022 - 30.06.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 27.11.2023

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 2023 showed a loss of DKK 168,599 thousand and the Company's balance sheet at 30 June 2023 showed equity of DKK 18,518 thousand.

Uncertainty relating to recognition and measurement

The company's Investment properties are measured at fair value, which at the balance date is DKK 736,6 mio. 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.

For further description we refer to note 3.

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 2022/23

	Notes	2022/23 DKK	2021/22 DKK
Gross profit/loss		20,537,161	9,574,249
Other financial expenses	2	(20,936,118)	(10,019,317)
Profit/loss before fair value adjustments and tax		(398,957)	(445,068)
Fair value adjustments of investment property		(168,200,000)	(9,048,971)
Profit/loss for the year		(168,598,957)	(9,494,039)
Proposed distribution of profit and loss			
Retained earnings		(168,598,957)	(9,494,039)
Proposed distribution of profit and loss		(168,598,957)	(9,494,039)

Balance sheet at 30.06.2023

Assets

	Notes	2022/23 DKK	2021/22 DKK
Investment property		736,600,000	904,800,000
Property, plant and equipment	3	736,600,000	904,800,000
Fixed assets		736,600,000	904,800,000
Other receivables		34,164	309,989
Prepayments		101,789	68,603
Receivables		135,953	378,592
Cash		4,408,546	8,250,237
Current assets		4,544,499	8,628,829
Assets		741,144,499	913,428,829

Equity and liabilities

	Notes	2022/23 DKK	2021/22 DKK
Contributed capital		19,661,106	19,661,106
Share premium		176,949,954	176,949,954
Retained earnings		(178,092,996)	(9,494,039)
Equity		18,518,064	187,117,021
Mortgage debt		405,547,667	405,547,667
Payables to group enterprises		300,499,713	0
Non-current liabilities other than provisions	4	706,047,380	405,547,667
Deposits		8,831,460	9,073,920
Prepayments received from customers		2,500,248	2,546,421
Trade payables		181,470	383,176
Payables to group enterprises		3,745,955	308,046,965
Other payables		1,319,922	713,659
Current liabilities other than provisions		16,579,055	320,764,141
Liabilities other than provisions		722,626,435	726,311,808
Equity and liabilities		741,144,499	913,428,829
Going concern	1		
Assets charged and collateral	5		

Statement of changes in equity for 2022/23

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	19,661,106	176,949,954	(9,494,039)	187,117,021
Profit/loss for the year	0	0	(168,598,957)	(168,598,957)
Equity end of year	19,661,106	176,949,954	(178,092,996)	18,518,064

Notes

1 Going concern

The company's parent CER III Master Holdco S.á.r.l. (Luxemburg) and CER Fund III SCS SICAV SIF (Luxemburg) has issued a financial support statement for grants of financial resources for the continued operations the coming 12 months.

2 Other financial expenses

	2022/23 DKK	2021/22 DKK
Other interest expenses	20,936,118	9,991,650
Other financial expenses	0	27,667
	20,936,118	10,019,317

3 Property, plant and equipment

	Investment property DKK
Cost beginning of year	913,848,971
Cost end of year	913,848,971
Fair value adjustments beginning of year	(9,048,971)
Fair value adjustments for the year	(168,200,000)
Fair value adjustments end of year	(177,248,971)
Carrying amount end of year	736,600,000

The company's investment property consist of 5 residential building with 4 located in Aarhus, Denmark, and 1 in Copenhagen, Denmark. The properties combine a total of 304 units with a lettable area of 20,081 m². Furthermore, the units comprise of 3 commercial rental units with a lettable area of 566 m², in Aarhus.

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

The yield which is the basis for the valuation and discount rate is fixed for the property, considering the specific location, condition, tenant mix, non-terminability profile, tenants' standing and on an estimate of how the general property market is developing.

The yield used for the valuation of the Aarhus rentals as of 30 June 2023 ranges from 3.95% to 4.57% (2021/22: 3.25% to 3.81%), meanwhile the Copenhagen location applies a yield of 3.52% (2021/22: 2.65%). An combined increase in the required rate of return by 0.5% points will reduce the combined fair value by approx. DKK 84 mio. Meanwhile, a decrease in the required rate of return by 0.5% will increase the combined fair value by approx. DKK 108 mio.

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

4 Non-current liabilities other than provisions

	Due after more than 12 months 2022/23 DKK	Outstanding after 5 years 2022/23 DKK
Mortgage debt	405,547,667	405,547,667
Payables to group enterprises	300,499,713	0
	706,047,380	405,547,667

5 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 mortgaged properties are DKK 736,6 mio.

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.

The accounting policies applied to these financial statements are consistent with those applied last year.

Non-comparability

The company's financial year include 12 months against only 7 months last year, due to a change in the financial year. The Comparative figures in the income statement isn't directly comparable.

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 revenue, and other external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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 expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

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, net capital or exchange losses on securities, payables and transactions in foreign currencies, 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 10 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.

Prepayments

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

Cash

Cash comprises cash in bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.