
Berlin Wohnungs Invest 2 ApS

Gl. Torv 2, 1. 4., DK-5800 Nyborg

Annual Report for 1 January - 31 December 2021

CVR No 37 79 25 94

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/4 2022

Jesper Kim Pedersen
Chairman of the General
Meeting



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Berlin Wohnungs Invest 2 ApS for the financial year 1 January - 31 December 2021.

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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

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.

Nyborg, 22 April 2022

Executive Board

Jesper Kim Pedersen
Executive Officer

Niels Peter Nielsen
Executive Officer

Independent Auditor's Report

To the Shareholder of Berlin Wohnungs Invest 2 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 2021 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 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Berlin Wohnungs Invest 2 ApS for the financial year 1 January - 31 December 2021, 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.

Odense, 22 April 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Line Hedam
statsautoriseret revisor
mne27768

Brian Petersen
statsautoriseret revisor
mne33722

Company Information

The Company

Berlin Wohnungs Invest 2 ApS
Gl. Torv 2, 1. 4.
DK-5800 Nyborg

CVR No: 37 79 25 94

Financial period: 1 January - 31 December

Municipality of reg. office: Nyborg

Executive Board

Jesper Kim Pedersen
Niels Peter Nielsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
DK-5230 Odense M

Financial Highlights

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

	Group	
	2021 TDKK	2020 TDKK
Key figures		
Profit/loss		
Revenue	23,908	8,744
Gross profit/loss	254,199	8,308
Operating profit/loss	248,335	5,252
Profit/loss before financial income and expenses	248,335	5,252
Net financials	-9,324	-1,888
Net profit/loss for the year	204,647	3,327
Balance sheet		
Balance sheet total	723,426	489,421
Equity	398,694	198,992
Cash flows		
Cash flows from:		
- operating activities	-3,524	-3,956
- investing activities	-4,639	-101,928
including investment in property, plant and equipment	-58	-2,571
- financing activities	1,086	123,376
Change in cash and cash equivalents for the year	-7,077	17,492
Number of employees	12	6
Ratios		
Gross margin	1,063.2%	95.0%
Profit margin	1,038.7%	60.1%
Return on assets	34.3%	1.1%
Solvency ratio	55.1%	40.7%
Return on equity	68.5%	2.1%

Management's Review

Primary activities

The Group's objective and activity consists of investment in rental property, primarily residential property situated in Berlin. The investments are made through German companies. The parent owns shares and handles the administration.

Development in activities and finances

The Group's profit for the year amounts to DKK 239,011 thousand before tax, DKK 204,647 thousand after tax and DKK 183,690 thousand after Minority interests. The profit excl. value adjustment of investment properties is considered satisfactory and in line with the expectations for the year. The profit for the year is positively affected by a value adjustment of the investment properties of DKK 238,139 thousand.

The value adjustment of investment properties is a result of development in fair value from 31 December 2020 to 31 December 2021. The fair value of investment properties at 31 December 2020 was largely determined by actual cost of acquisition for investment properties in 2020.

Equity incl. minority interests amounts to DKK 398,694 thousand at 31 December 2021 compared to a consolidated balance sheet total of DKK 723,426 thousand.

Outlook

Net revenue in 2022 is expected to be at the same level as in 2021. Profit in 2022 before value adjustments of properties, tax and Minority interests is expected to increase by 50-75% due to reduced operation costs and lower financial costs.

Particular risks

The Company and the Group are affected by the interest development and the general development on the property market in Berlin.

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.

The continued Coronavirus pandemic has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

The added market uncertainties i.a. as a result of rising energy prices, requirements due to climate change and the crisis in Ukraine have been subsumed in the valuation of investment properties based on best estimates.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2021	2020	2021	2020
		TDKK	TDKK	TDKK	TDKK
Revenue		23,908	8,744	0	0
Value adjustments of assets held for investment		238,139	5,854	0	0
Property cost		-6,827	-3,918	0	0
Other external expenses		-1,021	-2,372	-1,417	-1,432
Gross profit/loss		254,199	8,308	-1,417	-1,432
Staff expenses	1	-5,721	-2,982	-726	-659
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-143	-74	0	0
Profit/loss before financial income and expenses		248,335	5,252	-2,143	-2,091
Income from investments in subsidiaries		0	0	219,799	3,905
Financial income	3	74	958	495	418
Financial expenses		-9,398	-2,846	-97	-352
Profit/loss before tax		239,011	3,364	218,054	1,880
Tax on profit/loss for the year	4	-34,364	-37	-34,364	-13
Net profit/loss for the year		204,647	3,327	183,690	1,867

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Investment properties	6	684,158	446,138	0	0
Other fixtures and fittings, tools and equipment	5	603	747	0	0
Property, plant and equipment		684,761	446,885	0	0
Investments in subsidiaries	7	0	0	298,481	77,417
Other investments	8	49	480	49	100
Deposits	8	3,959	3,829	0	0
Other receivables	8	343	335	343	335
Fixed asset investments		4,351	4,644	298,873	77,852
Fixed assets		689,112	451,529	298,873	77,852
Trade receivables		1,171	380	875	0
Receivables from group enterprises		0	0	95,495	97,189
Other receivables		3,297	770	0	0
Receivables		4,468	1,150	96,370	97,189
Cash at bank and in hand		29,846	36,742	92	545
Currents assets		34,314	37,892	96,462	97,734
Assets		723,426	489,421	395,335	175,586

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
Share capital	9	7,000	7,000	7,000	7,000
Reserve for net revaluation under the equity method		0	0	223,919	2,855
Reserve for exchange rate conversion		-344	-306	0	0
Retained earnings		353,231	168,238	128,968	165,077
Equity attributable to shareholders of the Parent Company		359,887	174,932	359,887	174,932
Minority interests		38,807	24,060	0	0
Equity		398,694	198,992	359,887	174,932
Provision for deferred tax	11	34,377	13	34,377	13
Provisions		34,377	13	34,377	13
Mortgage loans		116,572	197,738	0	0
Payables to owners and Management		81,000	75,000	0	0
Deposits		3,959	3,829	0	0
Long-term debt	12	201,531	276,567	0	0
Mortgage loans	12	17,928	5,658	0	0
Credit institutions		63,927	0	0	0
Trade payables		2,353	1,630	747	479
Other payables		2,993	5,033	324	162
Deferred income	13	1,623	1,528	0	0
Short-term debt		88,824	13,849	1,071	641
Debt		290,355	290,416	1,071	641
Liabilities and equity		723,426	489,421	395,335	175,586
Distribution of profit	10				
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for exchange rate conversion	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	7,000	0	-306	168,238	174,932	24,060	198,992
Exchange adjustments	0	0	-38	0	-38	-9	-47
Other equity movements	0	0	0	1,303	1,303	-6,201	-4,898
Net profit/loss for the year	0	0	0	183,690	183,690	20,957	204,647
Equity at 31 December	7,000	0	-344	353,231	359,887	38,807	398,694

Parent Company

Equity at 1 January	7,000	2,855	0	165,077	174,932	0	174,932
Exchange adjustments	0	-38	0	0	-38	0	-38
Other equity movements	0	1,303	0	0	1,303	0	1,303
Net profit/loss for the year	0	219,799	0	-36,109	183,690	0	183,690
Equity at 31 December	7,000	223,919	0	128,968	359,887	0	359,887

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2021 TDKK	2020 TDKK
Profit before financial income and expenses		248,335	5,252
Adjustments	14	-237,996	-6,738
Change in working capital	15	-4,539	-558
Cash flows from operating activities before financial income and expenses		5,800	-2,044
Financial income		74	958
Financial expenses		-9,398	-2,846
Cash flows from ordinary activities		-3,524	-3,932
Corporation tax paid		0	-24
Cash flows from operating activities		-3,524	-3,956
Purchase of investment properties		-58	-2,571
Acquisition of cash in enterprises		0	8,491
Acquisition of other fixed asset investment		-8	-335
Purchase of minority shares		-4,573	-106,788
Other cash flows from investing activities		0	-725
Cash flows from investing activities		-4,639	-101,928
Repayment of mortgage loans		-68,896	-1,752
Raising of payables to owners and management		6,000	75,000
Raising of loans from credit institutions		63,927	0
Cash capital increase		55	50,128
Cash flows from financing activities		1,086	123,376
Change in cash and cash equivalents		-7,077	17,492
Cash and cash equivalents at 1 January		36,742	19,592
Exchange adjustment of current asset investments		181	-342
Cash and cash equivalents at 31 December		29,846	36,742
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		29,846	36,742
Cash and cash equivalents at 31 December		29,846	36,742

Notes to the Financial Statements

	Group		Parent Company	
	2021 TDKK	2020 TDKK	2021 TDKK	2020 TDKK
1 Staff expenses				
Wages and salaries	4,871	2,592	710	654
Pensions	376	176	0	0
Other social security expenses	466	214	13	5
Other staff expenses	8	0	3	0
	5,721	2,982	726	659
Remuneration to the Executive Board	479	454	322	454
	479	454	322	454
Average number of employees	12	6	2	1
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Depreciation of property, plant and equipment	143	74	0	0
	143	74	0	0
3 Financial income				
Interest received from group enterprises	0	0	480	417
Other financial income	74	958	15	1
	74	958	495	418

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
4 Tax on profit/loss for the year				
Current tax for the year	0	24	0	0
Deferred tax for the year	34,364	13	34,364	13
	34,364	37	34,364	13

5 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 January	1,087
Cost at 31 December	1,087
Impairment losses and depreciation at 1 January	341
Depreciation for the year	143
Impairment losses and depreciation at 31 December	484
Carrying amount at 31 December	603

Notes to the Financial Statements

6 Assets measured at fair value

	Group
	Investment pro- perties
	TDKK
Cost at 1 January	440,295
Exchange adjustment	-166
Additions for the year	58
Cost at 31 December	<u>440,187</u>
Value adjustments at 1 January	5,843
Exchange adjustment	-2
Revaluations for the year	238,130
Value adjustments at 31 December	<u>243,971</u>
Carrying amount at 31 December	<u>684,158</u>

Assumptions underlying the determination of fair value of investment properties

As described in accounting policies, the Group's investment properties are measured at fair value based on external assessments and management estimates. Management's estimate is based on a rate-of-return model. An external valuer has assisted in the assessment of the properties at a total fair value of DKK 518m. For other properties totaling DKK 166m the fair value has been calculated by management based on key figures from the external assessments and managements own current estimate.

Return on the total property portfolio amounts to an average of 2.3%, with an average price factor of 31 times the annual rent, and an average market price of DKK 19,461 per m². If the market price was calculated using an alternative rate of return of 3.0% the fair value would amount to 569m instead.

All the Group's 8 properties are situated in Berlin and are primarily residential properties. Vacancy level for the portfolio is low.

Notes to the Financial Statements

	Parent Company	
	2021	2020
	TDKK	TDKK
7 Investments in subsidiaries		
Cost at 1 January	74,562	74,562
Cost at 31 December	74,562	74,562
Value adjustments at 1 January	2,855	-1,204
Exchange adjustment	-38	-306
Net profit/loss for the year	219,799	3,905
Other equity movements, net	1,303	460
Value adjustments at 31 December	223,919	2,855
Carrying amount at 31 December	298,481	77,417

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Corporate form	Votes and ownership
REKonzept Immobilien I GmbH & Co. KG	Germany	KG	100%

REKonzept Immobilien I GmbH & Co. KG owns shares in 8 German subsidiaries. Disclosures on subsidiaries have been omitted in accordance with § 97a of the Danish Financial Statements Act.

8 Other fixed asset investments

	Group			Parent Company	
	Other investments	Deposits	Other receivables	Other investments	Other receivables
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	480	3,829	335	100	335
Additions for the year	-380	130	8	0	8
Cost at 31 December	100	3,959	343	100	343
Impairment losses at 1 January	0	0	0	0	0
Impairment losses for the year	51	0	0	51	0
Impairment losses at 31 December	51	0	0	51	0
Carrying amount at 31 December	49	3,959	343	49	343

Notes to the Financial Statements

9 Share capital

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> TDKK
A-shares	700	700,000
B-shares	6,300	6,300,000
		<u>7,000,000</u>

The share capital has developed as follows:

	<u>2021</u> TDKK	<u>2020</u> TDKK	<u>2019</u> TDKK	<u>2018</u> TDKK	<u>2017</u> TDKK
Share capital at 1 January	7,000	5,000	500	500	500
Capital increase	0	2,000	4,500	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	<u>7,000</u>	<u>7,000</u>	<u>5,000</u>	<u>500</u>	<u>500</u>

10 Distribution of profit

Reserve for net revaluation under the equity method

Minority interests' share of net

profit/loss of subsidiaries

Retained earnings

	<u>Group</u>		<u>Parent Company</u>	
	<u>2021</u> TDKK	<u>2020</u> TDKK	<u>2021</u> TDKK	<u>2020</u> TDKK
Reserve for net revaluation under the equity method		0	219,799	2,701
Minority interests' share of net profit/loss of subsidiaries	20,957	1,460	0	0
Retained earnings	<u>183,690</u>	<u>1,867</u>	<u>-36,109</u>	<u>-834</u>
	<u>204,647</u>	<u>3,327</u>	<u>183,690</u>	<u>1,867</u>

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
11 Provision for deferred tax				
Provision for deferred tax at 1 January	13	0	13	0
Amounts recognised in the income statement for the year	34,364	13	34,364	13
Provision for deferred tax at 31 December	34,377	13	34,377	13

12 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	
	2021	2020	2021	2020
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
After 5 years	89,858	124,686	0	0
Between 1 and 5 years	26,714	73,052	0	0
Long-term part	116,572	197,738	0	0
Within 1 year	17,928	5,658	0	0
	134,500	203,396	0	0
Payables to owners and Management				
Between 1 and 5 years	81,000	75,000	0	0
Long-term part	81,000	75,000	0	0
Within 1 year	0	0	0	0
	81,000	75,000	0	0
Deposits				
Between 1 and 5 years	3,959	3,829	0	0
Long-term part	3,959	3,829	0	0
Within 1 year	0	0	0	0
	3,959	3,829	0	0

Notes to the Financial Statements

13 Deferred income

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

14 Cash flow statement - adjustments

Depreciation, amortisation and impairment losses, including losses and gains on sales

Income from investments

Value adjustments of investment property

Group	
2021	2020
TDKK	TDKK
143	74
0	-958
-238,139	-5,854
-237,996	-6,738

15 Cash flow statement - change in working capital

Change in receivables

Change in trade payables, etc

-3,319	457
-1,220	-1,015
-4,539	-558

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations

Charges and security

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

The Group has raised mortgage debt at a carrying amount of DKK 134m at 31 December 2021, which is secured on investment properties at a carrying amount of DKK 622m at 31 December 2021.

Deposits under fixed asset investments are held in escrow accounts and cover the deposits paid by the lessees.

Contingent liabilities

Berlin Wohnungs Invest 2 ApS has signed an administration agreement, which is interminable until 31 December 2023. The agreement, however, is terminable at 6 months' notice until expiry of a calendar year provided all the property funds' limited partners at a prior general meeting have decided unanimously to terminate this agreement.

The Group has five investment properties, which are situated on rented land. Four of the lease agreements run until year 2052 and one until year 2057. At the expiry of the lease agreements, the buildings are passed to the owner of the land with compensation payment according to an expert fair value assessment.

There are obligations to pay rent for the land until at least the year 2057. The obligation is DKK 68m.

17 Related parties

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. No transactions with related parties have been made, which are not on arm's length basis.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Berlin Wohnungs Invest 2 ApS for 2021 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 2021 are presented in TDKK.

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, Berlin Wohnungs Invest 2 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

18 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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 and Fair value adjustments of investment property

Revenue from property operations includes rental income regarding letting of investment properties and related income from letting out. The lessees contribution to cover the costs of the properties regarding heat supply and contributions to cover operating costs that eventually rest with the lessee are set off against paid costs in the balance sheet as other receivables or payables.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise indirect expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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.

Balance Sheet

Investment properties and other property, plant and equipment

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Fair value is determined by using external assessment and management estimates based on a yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major refurbishments etc.

Other property, plant and equipment

Other property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5-7 years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation

Notes to the Financial Statements

18 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of other investments, deposits and other receivables.

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.

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.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred income

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

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

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

Notes to the Financial Statements

18 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$