

PSS AA Invest AB
Org nr 559208-5376

Årsredovisning för räkenskapsåret 2021

Styrelsen avger följande årsredovisning.

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Om inte annat särskilt anges, redovisas alla belopp i tusental kronor. Uppgifter inom parentes avser föregående år.

Fastställelseintyg

Undertecknad styrelseledamot i **PSS AA Invest AB** intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman den 27 juni 2022. Årsstämman beslutade att godkänna styrelsens förslag till hur vinsten ska disponeras.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm 2022-06-28


Jan-Hugo Nihlén
Styrelseledamot

Förvaltningsberättelse

Verksamheten

Allmänt om verksamheten

Bolagets verksamhet är att äga och förvalta andelar i fastighetsförvaltande bolag samt idka därmed förenlig verksamhet. Bolaget har ej haft några anställda under året.

Bolaget är ett helägt dotterbolag till PSS Investments AA Inc, Suit 400, Purdy's Landing, 1949 Upper Water Street, Halifax 83J 3N3, Kanada med org.nr 3288221. Koncernredovisning upprättas av moderbolag enligt 7 kap 2§ Årsredovisningslagen.

Företaget har sitt säte i Stockholm.

Väsentliga händelser under räkenskapsåret

Mot bakgrund av utbrottet av det nya coronaviruset och Covid-19 följer PSS AA Invest AB händelseutvecklingen noga och vidtar åtgärder för att minimera eller eliminera påverkan på bolagets verksamhet. PSS AA Invest AB följer riktlinjer från Folkhälsomyndigheten, WHO och ECDC (Europeiskt centrum för förebyggande och kontroll av sjukdomar). Bolaget har till dags dato inte märkt av någon betydande påverkan på verksamheten från coronaviruset.

Flerårsöversikt

		<u>2021</u>	<u>2020</u>	<u>2019 (7 mån)</u>
Resultat efter finansiella poster		-2 103	-1 816	-932
Soliditet	%	3,0	3,4	4,1

Förändringar i eget kapital

	<u>Aktie- kapital</u>	<u>Balanserat resultat</u>	<u>Årets resultat</u>	<u>Totalt</u>
Belopp vid årets ingång enligt fastställd balansräkning	50	8 369	-1 654	6 765
Resultatdisposition enligt årsstämman				
Balanseras i ny räkning		-1 654	1 654	
Årets resultat	—	—	<u>-1 106</u>	<u>-1 106</u>
Belopp vid årets utgång	50	6 715	-1 106	5 659

Resultatdisposition

Till årsstämman förfogande står följande vinstmedel (kr):

Balanserat resultat	6 714 894
Årets resultat	-1 105 637
	<hr/>
Totalt	<u>5 609 257</u>

Styrelsen föreslår att vinstmedlen disponeras enligt följande

Balanseras i ny räkning	<u>5 609 257</u>
	<hr/>
Totalt	<u>5 609 257</u>

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Resultaträkning	Not	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
Rörelseintäkter			
Övriga rörelseintäkter		382	374
Summa rörelseintäkter		<u>382</u>	<u>374</u>
Rörelsekostnader			
Övriga externa kostnader		-1 328	-531
Summa rörelsekostnader		<u>-1 328</u>	<u>-531</u>
Rörelseresultat		-946	-157
Finansiella poster			
Resultat från andelar i koncernföretag		765	-
Ränteintäkter och liknande resultatposter	2	4 670	5 019
Räntekostnader och liknande resultatposter	3	-6 592	-6 677
Summa finansiella poster		<u>-1 157</u>	<u>-1 658</u>
Resultat efter finansiella poster		-2 103	-1 815
Bokslutsdispositioner			
Erhållna koncernbidrag		479	161
Summa bokslutsdispositioner		<u>479</u>	<u>161</u>
Resultat före skatt		-1 624	-1 654
Skatter			
Skatt på årets resultat		-	-
Övriga skatter		518	-
Årets resultat		<u>-1 106</u>	<u>-1 654</u>

Balansräkning	Not	2021-12-31	2020-12-31
Tillgångar			
Anläggningstillgångar			
<i>Finansiella anläggningstillgångar</i>			
Andelar i koncernföretag	4	68 703	68 703
Fordringar hos koncernföretag	5	119 675	133 475
<i>Summa finansiella anläggningstillgångar</i>		188 378	202 178
Summa anläggningstillgångar		188 378	202 178
Omsättningstillgångar			
<i>Kortfristiga fordringar</i>			
Fordringar hos koncernföretag		479	234
Övriga fordringar		1 067	-
<i>Summa kortfristiga fordringar</i>		1 546	234
<i>Kassa och bank</i>			
Kassa och Bank		1 634	878
<i>Summa kassa och bank</i>		1 634	878
Summa omsättningstillgångar		3 180	1 112
Summa tillgångar		191 558	203 290

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Balansräkning	Not	2021-12-31	2020-12-31
Eget kapital och skulder			
Eget kapital			
<i>Bundet eget kapital</i>			
Aktiekapital		50	50
<i>Summa bundet eget kapital</i>		50	50
<i>Fritt eget kapital</i>			
Balanserat resultat		6 715	8 369
Årets resultat		-1 106	-1 654
<i>Summa fritt eget kapital</i>		5 609	6 715
Summa eget kapital		5 659	6 765
Långfristiga skulder	6		
Skulder till koncernföretag		183 466	187 530
Summa långfristiga skulder		183 466	187 530
Kortfristiga skulder			
Skulder till koncernföretag		-	5 339
Skatteskulder		-	262
Övriga skulder		-	7
Upplupna kostnader och förutbetalda intäkter		2 433	3 387
Summa kortfristiga skulder		2 433	8 995
Summa eget kapital och skulder		191 558	203 290

Noter

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med Årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2016:10 Årsredovisning i mindre företag.

Definition av nyckeltal

Nettoomsättning

Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster

Resultat efter finansiella intäkter och kostnader, men före extraordinära intäkter och kostnader.

Soliditet

Eget kapital och obeskattade reserver med avdrag för uppskjuten skatt i förhållande till balansomslutningen.

Upplysningar till resultaträkningen

Not 2 Ränteintäkter och liknande resultatposter

	<u>2021-01-01</u> <u>-2021-12-31</u>	<u>2020-01-01</u> <u>-2020-12-31</u>
Ränteintäkter, koncernföretag	4 669	5 019
Ränteintäkter, övriga	1	-
Summa	4 670	5 019

Not 3 Räntekostnader och liknande resultatposter

	<u>2021-01-01</u> <u>-2021-12-31</u>	<u>2020-01-01</u> <u>-2020-12-31</u>
Räntekostnader, koncernföretag	-6 592	-6 673
Räntekostnader, övriga	-	-4
Summa	-6 592	-6 677

Upplysningar till balansräkningen

Not 4 Andelar i koncernföretag

	<u>2021-12-31</u>	<u>2020-12-31</u>
Ingående anskaffningsvärden	68 703	68 615
- Omklassificeringar m m	-	88
Utgående anskaffningsvärden	68 703	68 703

<u>Dotterbolag</u>	<u>Kapitalandel %</u>	<u>Rösträttsandel %</u>	<u>Antal aktier</u>	<u>Bokfört värde</u>
Stora Bråta 2:61 AB, 556947-2268	100	100	500	68 703

Not 5 Fordringar hos koncernföretag

	<u>2021-12-31</u>	<u>2020-12-31</u>
Ingående anskaffningsvärden	127 975	133 475
- Avgående fordringar	-8 300	-5 500
Utgående anskaffningsvärden	119 675	127 975

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Not 6 Långfristiga skulder

	<u>2021-12-31</u>	<u>2020-12-31</u>
Långfristiga skulder som förfaller till betalning senare än fem år efter balansdagen	183 466	187 530
Summa	183 466	187 530

Not 7 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har skett efter årets utgång.

ank=20220630;2022070117521

Not 8 Ställda säkerheter och eventualförpliktelser

	<u>2021-01-01</u> <u>-2021-12-31</u>	<u>2020-01-01</u> <u>-2020-12-31</u>
Eventualförpliktelser	-	-
Ställda säkerheter	-	-
Summa	0	0

Stockholm _____

Jan-Hugo Nihlén

Vår revisionsberättelse har lämnats _____.

Grant Thornton Sweden AB

Martina Blank
Auktoriserad revisor

ank=20220630;2022070117522

ank=20220630;2022070117523



Document history

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2. MARTINA BLANK martina.blank@se.gt.com	Signed	12.06.2022 11:42	eID	Swedish BankID (DOB: 06/09/1983)
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REVISIONSBERÄTTELSE

Till bolagsstämman i PSS AA Invest AB
Org.nr. 559208-5376

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för PSS AA Invest AB för år 2021.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av PSS AA Invest ABs finansiella ställning per den 31 december 2021 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet "Revisorns ansvar". Vi är oberoende i förhållande till PSS AA Invest AB enligt god revisionssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och

anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för PSS AA Invest AB för år 2021 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionsred i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet "Revisorns ansvar". Vi är oberoende i förhållande till PSS AA Invest AB enligt god revisionsred i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionsred i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionsred i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, viktiga åtgärder och andra

förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 12 juni 2022

Grant Thornton Sweden AB

Martina Blank

Auktoriserad revisor

ank=20220630;2022070117526



Document history

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Consolidated Financial Statements

PSS Investments AA Inc.

December 31, 2021

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Independent auditor's report

To the Shareholder of
PSS Investments AA Inc.

Opinion

We have audited the financial statements of PSS Investments AA Inc. ("the Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of earnings and comprehensive income, statement of changes in shareholder equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of PSS Investments AA Inc. as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 Canadian generally accepted auditing standards 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 in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Grant Thornton LLP

Halifax, Canada
May 26, 2022

Chartered Professional Accountants

PSS Investments AA Inc.
Consolidated statement of financial position

(expressed in CAD)
 December 31

2021

2020

Assets

Current

Cash and cash equivalents	\$ 2,914,023	\$ 3,503,627
Rent receivable	-	159,560
Interest on loans receivable from joint venture (Note 6)	971,146	627,168
Other receivables	<u>186,234</u>	<u>249,219</u>
	4,071,403	4,539,574

Non-current

Investments in joint venture (Note 4)	48,444,256	44,840,058
Investment property (Note 5)	70,614,558	66,831,820
Loans receivable from joint venture (Note 6)	<u>33,647,894</u>	<u>32,420,627</u>
	152,706,708	144,092,505

Total assets

\$ 156,778,111 **\$ 148,632,079**

Shareholder equity and liabilities

Current

Payables and accruals	<u>\$ 1,695,030</u>	<u>\$ 741,479</u>
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Non-current

Bank loans (Note 7)	14,207,645	-
Deferred tax liability (Note 3)	<u>3,005,239</u>	<u>1,138,891</u>

Total liabilities

18,907,914 **1,880,370**


Shareholder equity

Share capital	111,244,033	121,430,949
Retained earnings	32,552,746	19,624,124
Foreign currency translation reserve	<u>(5,926,582)</u>	<u>5,696,636</u>
Total shareholder equity	<u>137,870,197</u>	<u>146,751,709</u>

Total shareholder equity and liabilities

\$ 156,778,111 **\$ 148,632,079**

On behalf of the Board

 Director

 Director

Christopher Taylor

Isaac Hashem

See accompanying notes to the consolidated financial statements.

PSS Investments AA Inc.
Consolidated statement of earnings and comprehensive income

(expressed in CAD)

Year ended December 31

	2021	2020
Rental revenue	\$ 3,131,380	\$ 3,198,104
Property operating expenses	<u>(253,264)</u>	<u>(233,680)</u>
Net property income	2,878,116	2,964,424
Other income and expenses		
Net earnings from joint venture (Note 4)	\$ 8,554,481	\$ 3,586,576
Change in fair value of investment property (Note 5)	9,676,697	202,137
Interest income	1,299,080	1,380,327
Other Income	78,265	59,493
Management and administration fees	(1,127,319)	(1,049,732)
Other expenses	(36,430)	(30,432)
Professional fees	(307,441)	(302,660)
Unrealized foreign exchange (loss) gain	(614,812)	1,678,515
Realized foreign exchange (loss) gain	<u>(128,094)</u>	<u>35,588</u>
Earnings for the year before tax	20,272,543	8,524,236
Tax (expense) income (Note 3)	<u>(2,115,469)</u>	<u>43,950</u>
Earnings for the year	<u>\$ 18,157,074</u>	<u>\$ 8,568,186</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	<u>(11,623,218)</u>	<u>9,709,755</u>
Total comprehensive income	<u>\$ 6,533,856</u>	<u>\$ 18,277,941</u>

See accompanying notes to the consolidated financial statements.

PSS Investments AA Inc.

Consolidated statement of cash flows

(expressed in CAD)

Year ended December 31

2021

2020

Increase (decrease) in cash and cash equivalents

Operating		
Earnings for the year before tax	\$ 20,272,543	\$ 8,524,236
Items not affecting cash		
Net loss (earnings) from joint venture	(8,554,481)	(3,586,576)
Unrealized foreign exchange loss (gain)	614,812	(1,678,515)
Change in fair value of investment property	(9,676,697)	(202,137)
Net change in operating working capital		
Rent receivable	150,876	2,830
Interest receivable	(401,191)	132,080
Other receivables	44,993	244,790
Payables and accruals	<u>1,020,531</u>	<u>(714,436)</u>
	<u>3,471,386</u>	<u>2,722,272</u>
Financing		
Advances to joint venture	(4,737,300)	-
Repayments from joint venture	818,442	304,320
Proceeds from bank loans	14,207,645	-
Issuance of common shares	4,234,084	-
Return of capital to shareholders	(14,421,000)	-
Dividends paid	<u>(5,228,453)</u>	<u>(4,065,007)</u>
	<u>(5,126,582)</u>	<u>(3,760,687)</u>
Investing		
Distributions from joint venture	<u>1,331,942</u>	<u>597,274</u>
	<u>1,331,942</u>	<u>597,274</u>
Effect of exchange rate fluctuations on cash	<u>(266,350)</u>	<u>(397,346)</u>
Net decrease in cash and cash equivalents	<u>(589,604)</u>	<u>(838,487)</u>
Cash and cash equivalents		
Beginning of period	<u>3,503,627</u>	<u>4,342,114</u>
End of period	<u>\$ 2,914,023</u>	<u>\$ 3,503,627</u>

See accompanying notes to the consolidated financial statements.

PSS Investments AA Inc.

Consolidated statement of changes in shareholder equity

(expressed in CAD)

December 31, 2021

	Share Capital			Retained Earnings	Foreign Currency Translation Reserve	Total
	Common Shares (Note 6)	Additional Paid-in Capital	Total Share Capital			
Shareholder equity, January 1, 2021	\$ 35,712,351	\$ 85,718,598	\$ 121,430,949	\$ 19,624,124	\$ 5,696,636	\$ 146,751,709
Earnings for the year	-	-	-	18,157,075	-	18,157,075
Exchange differences on translating foreign operations	-	-	-	-	(11,623,218)	(11,623,218)
Transactions with owners:						
Shares repurchased for cancellation	-	(14,421,000)	(14,421,000)	-	-	(14,421,000)
Capital contribution	4,234,084	-	4,234,084	-	-	4,234,084
Dividends	-	-	-	(5,228,453)	-	(5,228,453)
Shareholder equity, December 31, 2021	\$ 39,946,435	\$ 71,297,598	\$ 111,244,033	\$ 32,552,746	\$ (5,926,582)	\$ 137,870,197
Shareholder equity, January 1, 2020	\$ 35,712,351	85,718,598	\$ 121,430,949	\$ 15,120,945	\$ (4,013,119)	\$ 132,538,775
Net earnings from operations and joint venture	-	-	-	8,568,186	-	8,568,186
Exchange differences on translating foreign operations	-	-	-	-	9,709,755	9,709,755
Transactions with owners:						
Dividends	-	-	-	(4,065,007)	-	(4,065,007)
Shareholder equity, December 31, 2020	\$ 35,712,351	\$ 85,718,598	\$ 121,430,949	\$ 19,624,124	\$ 5,696,636	\$ 146,751,709

See accompanying notes to the consolidated financial statements.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)
December 31, 2021

1. Nature of operations

PSS Investments AA Inc. (the "Company") is a limited company in Canada formed on April 7, 2015, and is governed by the laws of the Province of Nova Scotia. The principal business is for the purpose of indirectly acquiring and owning a portfolio of diversified revenue-generating rental properties (or investment properties) through investments in associates and joint ventures in Europe. The shareholder (or parent company), PSS Investments RE Inc., is wholly-owned by the Public Service Superannuation Plan and governed by the Public Service Superannuation Act as part of the Acts of Nova Scotia.

The Company's investments in properties in Europe are governed by a Real Estate Investment Policy, a supplement to the Statement of Investment Policies & Goals ("SIP&G") as provided by the Public Service Superannuation Plan Trustee Inc., acting as trustee for the Public Service Superannuation Plan.

The Company is exempt from corporate income taxes under section 149 of the Canadian Income Tax Act, and as a consequence, does not pay income taxes in Canada.

The registered office of the Company is located at 1949 Upper Water Street, Suite 400, Halifax, Nova Scotia, Canada.

2. General information and statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Company Board of Directors on May 26, 2022.

3. Summary of significant accounting policies

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

Basis of consolidation

The Company's financial statements consolidate those of the Company and all of its subsidiary entities as at December 31, 2021. Subsidiaries are entities over which the Company has control. All subsidiaries have a reporting date of December 31, 2021.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Earnings and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Associates and joint ventures

Associates and joint ventures are entities over which the Company has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)

December 31, 2021

3. Summary of significant accounting policies (continued)

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Company's share of results from operations after the date of acquisition. The Company's share of the profit or loss and other comprehensive income from associates and joint ventures is recognized in the statement of earnings and other comprehensive income during the period. Distributions received from associates and joint ventures reduce the carrying amount of the Company's investment. Items impacting other comprehensive income (loss) of the Company arising from changes in other comprehensive income of associates and joint ventures include the revaluation of investment property and foreign currency exchange translation differences.

Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"), which is the Company's presentation currency. The Company's functional currency is the Euro ("EUR"). The functional currency of the Company's investment in a joint venture is also the EUR.

Transactions in currencies other than EUR are translated into the functional currency at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated to the Company's functional currency at the prevailing exchange rate at that date. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, except for non-monetary items measured at fair value which are translated using exchange rates at the date when fair value was determined.

The Company translates the results of its operations and financial position into CAD at year end as follows:

- assets and liabilities are translated at the prevailing rate of exchange at the balance sheet date;
- income and expense items included in the statement of earnings and comprehensive income (loss) are translated at prevailing exchange rates at the date of transactions, or alternatively, the average exchange rate for the period; and
- exchange differences arising on translation into CAD are recorded in other comprehensive income during the period.

Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model. Investment properties are revalued annually with resulting gains and losses recognised in profit or loss. The fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading lease incentives and minimum lease payments.

As a lessor, the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. The Company has classified all of its leases as operating leases.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)
December 31, 2021

3. Summary of significant accounting policies (continued)

Revenue recognition

The Company earns revenue from acting as a lessor in operating leases. These leases do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental revenue is accrued on a straight-line basis over the lease term in the statement of profit and loss. Initial direct costs incurred in obtaining the lease are recognized as an expense over the lease term on the same basis as the rental revenue.

Revenues include interest income earned on loans to a joint venture. Revenue is recognized as interest is accrued using the effective interest method to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investment with maturities of three months or less.

Income taxes

The Company is exempt from corporate income taxes under section 149 of the Canadian Income Tax Act, and as a consequence, does not pay income taxes in Canada. Deferred tax assets and/or liabilities of the Company relate to tax and accounting basis differences of all incorporated subsidiaries. Income taxes are accounted for using the liability method. Under this method, deferred taxes are recognized for the expected deferred tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

Deferred tax assets and/or liabilities are offset only when the Company has a right and intention to off set tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in operations, except where they relate to items that are recognized in other comprehensive income (loss), or directly in change in net assets, in which case the related deferred tax is also recognized in other comprehensive income (loss) or change in net assets, respectively.

Deferred tax liabilities of \$3,005,239 (2020 - \$1,138,891) arising from temporary differences recognized in the balance sheet relate to investment properties held by its subsidiaries.

	<u>2021</u>	<u>2020</u>
Earnings for the year before tax	\$ <u>20,272,543</u>	<u>8,524,236</u>
At the Company's statutory rate of 10.46% (2020 – nil%)	<u>(2,120,508)</u>	-
Other	<u>97,253</u>	<u>43,950</u>
Tax (expense) income	\$ <u>(2,115,469)</u>	\$ <u>43,950</u>

Included in tax expense is \$(1,866,348) of deferred tax expense (2020 - \$171,350). The Company's statutory rate is determined based on the weighted average profit before tax from each legal entity. The applicable rate for the the Company on a non-consolidated basis is nil%. The applicable rates for its two wholly-owned subsidiaries are 25% and 20.6%, respectively.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)

December 31, 2021

3. Summary of significant accounting policies (continued)

Financial instruments

Recognition and measurement of financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when control over the contractual rights to receive cash flows and benefits related from the financial asset are transferred and/or substantially all the risks and rewards of ownership have been given to another party. Financial liabilities are derecognized when obligations under the contract expire and are discharged or cancelled.

Financial assets are classified into one of the following categories: loans and receivables, fair value through profit or loss, available-for-sale assets, or held-to-maturity investments. Financial liabilities are classified as fair value through profit or loss, or as other financial liabilities. All financial instruments are initially recorded at fair value. All financial instruments are subsequently measured at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities that are subsequently measured at amortized cost using the effective interest rate method.

The Company classifies its receivables as loans and receivables. Payables and accruals are classified as other financial liabilities.

Fair value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Impairment

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

In addition, the Company also assesses at each reporting date whether there is evidence that the Company's investment in a joint venture is impaired. The Company considers whether the carrying amount of its investment in the joint venture exceeds the carrying amount of the net assets of the joint venture as evidence of impairment, as well as expectations regarding future cash flows, profitability and ability to meet budgeted expectations from operations.

If any of the above indicators of impairment exist, the Company shall estimate the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. An impairment loss is recognized if the amount by which the carrying amount of an asset exceeds its recoverable amount.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)

December 31, 2021

3. Summary of significant accounting policies (continued)

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. The Company's significant estimates and judgements are continually evaluated and are based on historical experience, knowledge of current events and conditions, and other factors that are believed to be reasonable under the circumstances, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results, and actual results may ultimately differ from these estimates.

Significant estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities include recognition of the Company's share of net earnings from its investment in a joint venture by applying the equity method of accounting. Results of operations and changes in net assets from investments in joint ventures include estimates and assumptions used in determining fair value of investment property, such as capitalization rates and stabilized net operating income (affected by vacancy rates). Changes in these inputs could significantly impact the fair value estimate of investment property and impact the earnings and other comprehensive income of the Company.

New standards adopted as at January 1, 2021

The Company has adopted new accounting pronouncements which have become effective this year, and are as follows:

On January 1, 2021, the Company adopted the Interest Rate Benchmark Reform ("IBOR reform") – Phase 2 – Amendments to IFRS 9, Financial Instruments ("IFRS 9"), IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), IFRS 4 Insurance Contracts ("IFRS 4") and IFRS 16, Leases ("IFRS 16"). The Company has elected to take the practical expedient to account for a change in the basis for determining the contractual cash flows of financial instruments that are affected by IBOR reform, which allows the Company to not derecognize or adjust the carrying amount of financial instruments for modifications required by IBOR reform, but will instead update the effective interest rate to reflect the change in the interest rate benchmark. The practical expedient will be applied when the modification is required as a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. These adopted standards do not have a material impact on the Company's financial statements.

Future changes in accounting standards

At the date of authorization of these financial statements, certain new standards and amendments to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards and amendments not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)
December 31, 2021

4. Investment in joint venture

The Company's investment in PSS/TPP Investments AA Coöperatief U.A. ("Co-op") is as follows:

	<u>2021</u>	<u>2020</u>
Investment in joint venture at equity, January 1	\$ 44,840,058	\$ 38,877,373
Distributions received during the year	(1,331,942)	(597,274)
Net earnings from joint venture	8,554,480	3,586,576
Unrealized foreign exchange gain (loss)	<u>(3,618,340)</u>	<u>2,973,383</u>
Investment in joint venture at equity, December 31	<u>\$ 48,444,256</u>	<u>\$ 44,840,058</u>

The Company has a 50% membership interest in the partnership units of the Co-op, whose principal activity is to investment in real estate properties in Europe, which are held to earn rentals from third-party leases or for capital appreciation.

The Company uses the equity method to account for its investment in the joint venture.

During 2021, \$1,331,942 (2020 - \$597,274) were received in distributions from the member capital account as a result of operations during the year.

As the Co-op is a private entity, there are no quoted market prices available for its shares.

The following is a summary of the financial position and results of the Company's equity accounted investment in the Co-op on a 100% basis:

As at December 31:	<u>2021</u>	<u>2020</u>
Current assets	\$ 23,667,064	\$ 20,865,470
Non-current assets	272,964,643	276,258,605
Current liabilities	(7,851,766)	(8,161,090)
Non-current liabilities	<u>(191,891,429)</u>	<u>(199,282,869)</u>
Net assets	<u>\$ 96,888,512</u>	<u>\$ 89,680,116</u>
The Company's investment in joint venture	<u>\$ 48,444,256</u>	<u>\$ 44,840,058</u>
Year ended December 31:	<u>2021</u>	<u>2020</u>
Revenues	\$ 16,176,395	\$ 17,229,632
Property and other operating costs	(3,193,023)	(3,583,339)
Changes in fair value	12,838,625	1,365,314
Other non-operating costs	178,342	(38,982)
Interest expense	<u>(4,654,185)</u>	<u>(4,956,338)</u>
Net income before income taxes	21,346,154	10,016,287
Income taxes	<u>(4,237,194)</u>	<u>(2,843,136)</u>
Net income	<u>\$ 17,108,960</u>	<u>\$ 7,173,151</u>
Share of net earnings in equity accounted joint venture	<u>\$ 8,554,480</u>	<u>\$ 3,586,576</u>

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)
December 31, 2021

5. Investment property

Investment property includes real estate properties in the Netherlands and Sweden, which are owned to earn rentals and for capital appreciation. Changes to the carrying amounts are as follows:

Year ended December 31:	<u>2021</u>	<u>2020</u>
Carrying amount, January 1	\$ 66,831,820	\$ 61,057,808
Changes in fair value		
Net gain on revaluation	9,676,697	202,137
Net exchange difference	<u>(5,893,959)</u>	<u>5,571,875</u>
Total change in fair value	<u>3,782,738</u>	<u>5,774,012</u>
Carrying value, December 31	<u>\$ 70,614,558</u>	<u>\$ 66,831,820</u>

Investment properties, net of lease incentives, were valued at \$70,614,558 (2020 - \$66,831,820) by independent valuers. Investment properties are either leased to third parties on operating leases or are vacant.

Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Company when a property has been subjected to excess wear-and-tear during the lease term.

Future minimum lease payments are as follows:

	Within 1 year	1-2 years	Minimum lease payments due		4-5 years	After 5 years	Total
			2-3 years	3-4 years			
2021	\$3,046,571	\$3,046,571	\$3,046,571	\$3,046,571	\$3,046,571	\$16,629,325	\$31,862,179
2020	\$3,319,398	\$3,268,000	\$3,268,000	\$3,268,000	\$3,268,000	\$13,443,586	\$37,460,858

6. Loans receivable from joint ventures

	<u>2021</u>	<u>2020</u>
Term loans, unsecured	<u>\$ 33,647,894</u>	<u>\$ 32,420,627</u>

During the year, the Company had the following loan activity with the joint venture:

- \$4,234,084 was advanced to the Co-op to finance anticipated investment property acquisitions planned by the Co-op in Madrid, Spain through a wholly owned subsidiary in Spain.
- The remaining difference relates to repayments of loans, net of advances.

As at December 31, 2021, there was \$971,146 (2020 - \$627,168) in accrued interest owing on various loans. The loans bear interest ranging from 2.75% to 5.75%, with varying maturities up to 20 years. There are no set terms of repayment. Under the terms of the loan agreements, the Co-op has the option to repay the outstanding amounts, in whole or in part, without any penalty provided sufficient notice is provided. The loans are immediately repayable without demand or notice in the event of bankruptcy.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)

December 31, 2021

7. Bank loan

2021

2020

Bank loan payable, bearing interest at 1.56%, with interest only quarterly payments. Principal due in full on October 2029.

\$ 14,207,645 \$ -

The bank loan is secured by way of a standard security charge agreement over all present and future property and shares of the Company, as well as a pledge on the rent account.

8. Share capital

2021

2020

Common shares

Authorized:

Unlimited without nominal or par value

Issued:

7 common shares (2020 – 6)

\$ 39,946,435 \$ 35,712,351

9. Financial instruments and risk management

Risk management of financial assets and liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. These risks include market risk, credit risk, liquidity risk, and valuation risk. The Company's overall risk management program focuses on establishing policies to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which third party service providers and members of the Board of Directors understand their roles and obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as foreign exchange rates and interest rates, and affects the Company's earnings or value of investment in a joint venture, as follows:

a Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Substantially all of the Company's revenues and expenses are in EUR. Revenues incurred in foreign currency are approximately \$2,971,876 (2020 – \$2,837,327). The Company is exposed to risk that the exchange rates on currencies other than EUR will change in a manner that has an adverse impact on the value of the Company's investment in real estate property owned directly and indirectly by its joint venture.

The Company mitigates its exposure to foreign currency risk by diversifying its real estate investment portfolio holdings in different European countries and enhancing the total investment portfolio of the Company over a defined period of time. The Company does not use hedging or other strategies, such as forward exchange currency contracts, to minimize identified risks.

PSS Investments AA Inc.

Notes to the consolidated financial statements

(expressed in CAD)

December 31, 2021

Risk management of financial assets and liabilities (continued)

b Interest rate risk

Interest rate risk is the risk that the Company's financial position will change with market interest rate changes associated with financing of real estate properties owned directly or indirectly by its joint venture. Leverage through mortgages on acquired properties is applied to enhance the diversification of the Company's portfolio and investment return.

The Company mitigates its exposure to risks associated with interest rates by establishing formal policies that limit mortgages on real estate investments to a certain percentage of the market value of the property, in addition to ensuring recourse limitations are in place in the event of default by the lender within the investment property.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company's receivable is with its 50% investment in a joint venture that relies on rental income from a number of tenants. The joint venture has mitigated any risk of tenants not fulfilling their obligations by securing tenants of sound financial standing established through performing appropriate credit procedures, and actively monitoring cash collections from contractual agreements with tenants. Property management and administration functions are outsourced to third parties who actively monitor budgets with actual results, including delinquency on tenant receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations and insufficient equity financing available to fund the desired growth of the Company. Liquidity risk is inherent in the Company's operations and is impacted by a wide range of situation specific and market-wide events, including, but not limited to, credit events for investments owned by the Company's joint venture, such as increased vacancy rates on investment properties, deteriorating market conditions of local economies, inflation, and operational matters. The Company manages its exposure to liquidity risk by establishing formal policies for the types of real estate investments the Company can invest in and strictly monitoring compliance with these policies, including the activities of its investment advisors, diversification of its portfolio, and rebalancing investments as needed over the long term. In addition, the Company also uses well known independent third parties to provide consultation and advice on property investment decisions that take into consideration market conditions and appropriate due diligence procedures on target acquisitions.

Valuation risk

Valuation risk is the risk associated with the Company's exposure to a material decrease in the estimated fair value of real estate property owned directly and indirectly by its joint venture. The Company mitigates the risk associated with valuation risk by ensuring its joint venture invests in high quality, income-producing properties within the office, industrial, multi-unit residential and retail sectors in well developed countries having a strong economy and favorable growth potential. In addition, in accordance with the Company's policies, real estate investments are required to be diversified with application of certain investment constraints on target and directly held investments.

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9. Financial instruments and risk management (continued)

Capital risk management

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute the operational and strategic plans to continue to provide benefits for the Shareholder. The Company continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying real estate investments. According to the Company's Memorandum of Association, the Company shall not make investments other than investments that a pension fund or plan is permitted to make under the Pension Benefits Standards Act, 1985, or a similar law of a province, and that:

- The Company's assets shall at all times be at least 98% cash and investments;
- The Company shall not issue external debt obligations or accept external deposits; and
- The Company shall at all times derive at least 98% of its income from, or from the disposition of, investments.

In accordance with the Company's real estate investment policies, as established by the Public Service Superannuation Plan Trustee Inc., the Company shall manage its real estate portfolio in such a way to provide diversification and reduce overall risks within the Company, enhance the total investment return, provide a steady income, and when appropriate, provide capital appreciation. Through increased investment and diversification, the Company intends to increase its investment returns, lower volatility and provide hedging against inflationary pressures.

The Company, through its third party management and advisory services provider, actively manages the Company's portfolio and diversification, to ensure the benefits outweigh the risks the Company is exposed to by diversifying its investment in property types, style, size, instruments, geography and tenancy. The Company manages compliance with its risk management policies by obtaining monthly and quarterly reporting from third parties on the Net Asset Value ("NAV") of the investment portfolio.

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value measurements recognized in the balance sheet as categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

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9. Financial instruments and risk management (continued)

The fair values of the Company's cash, rent receivables, and payables and accruals approximate their carrying value due to the short-term maturity of those instruments. Such instruments are classified as Level 1.

On inception, the carrying value of loans and receivables are considered to approximate fair value due to the interest rates associated with the instrument on initial recognition. These instruments are classified as Level 2. As the loans receivable are subsequently measured at amortized cost, differences between fair value and carrying value of \$34,805,279 (2020 - \$33,456,574) are expected to occur over the term of the loans.

Bank loans with a carrying value of \$14,207,645 (2020 - \$nil) have an estimated fair value at the balance sheet date was \$14,345,963 (2020 - \$nil) and are classified as a Level 2 instrument.

There were no transfers between classes of the fair value hierarchy during the year.

10. Commitments

The Company has entered into an advisory services agreement with a third party for the provision of asset management and advisory services, including supervision and administration duties associated with the Company's investment in real estate properties in Europe. Fees paid under the advisory services agreement are recorded in management and advisory services in the statement of earnings and comprehensive income (loss).

11. Impact of COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to impact many aspects of daily life and the global economy. On 11th November 2021, a new variant (Omicron), was detected in and led to a tightening of restrictions globally in an effort to manage the impact of this highly transmissible variant. The full impact and severity of disease caused by Omicron has yet to be fully determined and understood.

Many sectors of the real estate market saw positive capital growth during 2021 as global economies came out of lockdown and rebounded strongly. Travel, movement and operational restrictions were implemented, loosened and reimplemented to a lesser extent by many countries throughout 2021 and this pattern has continued into 2022. In some cases, "lockdowns" have been applied – in varying degrees – to reflect further 'waves' of COVID-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19, including the development and roll out of vaccines and booster doses, continues to affect economies and real estate markets globally. Certain real estate sectors have been impacted harder than others with retail shopping centres and hospitality the hardest hit and logistics and distribution, residential and retail warehouses largely a beneficiary. The success of vaccine programmes continue to have a major impact on the speed and nature of economic recovery but the timing and form of the recovery remains uncertain, particularly with the emergence of new strains of COVID-19.

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11. Impact of COVID-19 (continued)

As at the reporting and valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Thus, property valuations, as at the valuation date, were not subject to material valuation uncertainty. The Directors are continuing to utilise business continuity and resilience processes with the objective of mitigating the impact of COVID-19.

12. Global event impact

On February 24th, 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

As at the date of the audit report the Company did not hold any assets in Ukraine or Russia. The Company's key suppliers do not have operations pertaining to the Company in Ukraine or Russia.

The situation in the region is rapidly evolving and the Directors and the Manager continue to monitor the situation carefully and will take whatever steps are necessary and in the best interests of the Shareholders. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to, managing the assets of the Fund proactively to best mitigate risk and ensuring that the Manager and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats. At the time of writing, there is not expected to be any significant long-term adverse impact from the conflict in Ukraine on the assets, operational activities, processes and procedures of the Company.