

Deloitte Fonden

Weidekampsgade 6
2300 Copenhagen S
CVR No. 11718841

Annual report 01.04.2021 - 31.03.2022

Adopted at the Board of Directors' meeting on
16.06.2022

Peter Hald Appel

On behalf of the Board of Directors

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021/22	12
Balance sheet at 31.03.2022	13
Statement of changes in equity for 2021/22	15
Notes	16
Accounting policies	20

Entity details

Entity

Deloitte Fonden
Weidekampsgade 6
2300 Copenhagen S

Business Registration No.: 11718841
Registered office: Copenhagen
Financial year: 01.04.2021 - 31.03.2022
Phone number: +45 36102030

Board of Directors

Peter Hald Appel, Chair
Elisabeth Fogtdal Nøjgaard, Deputy Chair
Jesper Jørgensen
Henrik Vedel
Mette-Katrine Hviid
Nidha Rizwan, alternate for Eva Sigurbjörg Thorkelsdóttir

Executive Board

John Hauschildt Ladekarl, Director

Auditors

Beierholm Statsautoriseret Revisionspartnerselskab
Knud Højgaards Vej 9
2860 Søborg
CVR No.: 32895468

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Deloitte Fonden for the financial year 01.04.2021 - 31.03.2022.

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

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31.03.2022 and of the results of its operations for the financial year 01.04.2021 - 31.03.2022.

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

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

Copenhagen, 16.06.2022

Executive Board

John Hauschildt Ladekarl

Director

Board of Directors

Peter Hald Appel

Chair

Elisabeth Fogtdal Nøjgaard

Deputy Chair

Jesper Jørgensen

Henrik Vedel

Mette-Katrine Hviid

Nidha Rizwan

alternate for Eva Sigurbjörg Thorkelsdóttir

Independent auditor's report

To the Board of Directors of Deloitte Fonden

Opinion

We have audited the financial statements of Deloitte Fonden for the financial year 01.04.2021 - 31.03.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Foundation's financial position at 31.03.2022 and of the results of its operations for the financial year 01.04.2021 - 31.03.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Foundation's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Foundation 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 Foundation'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 Foundation'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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 16.06.2022

Beierholm Statsautoriseret Revisionspartnerselskab

CVR No. 32895468

Philip Heick-Poulsen

State-Authorised Public Accountant

Identification No (MNE) mne34280

Management commentary

Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	13,149	13,925	14,212	16,401	17,157
Gross profit/loss	12,425	13,068	13,648	15,363	16,894
Operating profit/loss	10,798	12,268	12,698	14,717	15,769
Net financials	468	(2,720)	(34,338)	(36,243)	(6,626)
Profit/loss for the year	43,000	10,164	(9,152)	9,024	100,826
Total assets	428,782	410,766	620,542	665,414	809,284
Investments in property, plant and equipment	0	0	1,812	1,149	678
Equity	353,161	310,161	329,997	354,149	360,119
Ratios					
Gross margin (%)	94.49	93.85	96.03	93.67	98.47
EBIT margin (%)	82.12	88.10	89.35	89.73	91.91
Return on equity (%)	12.97	3.18	(2.68)	2.53	3,180.00
Equity ratio (%)	82.36	75.51	53.18	53.22	44.50

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

Primary activities

The primary business activities of Deloitte Fonden consist in owning and leasing out Danish properties to Deloitte Statsautoriseret Revisionspartnerselskab. The leased properties serve as owner-occupied properties to Deloitte.

Formål

The primary object of the Foundation is to contribute towards the continuance of Deloitte Statsautoriseret Revisionspartnerselskab as an independent firm of accountants of high professional standard. If the audit firm is to continue hiring skilled and knowledgeable talents and retain them, which is considered a key requirement to attain the object of the Foundation, the Foundation must, in circumstances demanding this, provide support to ensure working conditions that are financially satisfactory to the talents employed by the firm, including securing their old age. In addition, part of the Foundation's resources must contribute to the vocational training of staff. Financial support under the above provisions may be granted as a gift or loan.

The secondary object of the Foundation is to carry out distributions in support of scientific research, in particular, the vocational training in the fields of economics and auditing, distributions to art provided in the form of acquisition of works of art and distributions to national charitable or otherwise non-profit purposes at the discretion of the Board of Directors.

Development in activities and finances

This year's operating profit amounted to DKK 10,798 thousand compared to an operating profit of DKK 12,268 thousand last year. This performance is in line with expectations. Profit for the year before fair value adjustments of investment properties and tax amounted to DKK 12,068 thousand against a profit of DKK 12,191 thousand last year. The decreased profit was due to the sale of the Foundation's property in Aalborg at the beginning of 2022.

The Foundation's subsidiary, Deloitte Huset Holding A/S, was voluntarily liquidated on 31.08.2021 as the company no longer had any business activity.

Profit from ordinary activities, i.e. a profit without fair value adjustments of investment properties and financial liabilities, and other operating income and expenses, is considered satisfactory and as expected at the beginning of the financial year.

Consequently, profit for the year amounted to DKK 43,000 thousand compared to a profit of DKK 10,164 thousand last year. Profit for the year was significantly affected by positive fair value adjustments of investment properties, primarily arising from lower rates of return based on property valuations done by an estate agent.

No distributions were made in 2021/22.

Equity amounted to DKK 353,161 thousand on 31.03.2022 against DKK 310,161 thousand on 31.03.2021.

Outlook

Next year's profit before tax and fair value adjustments is expected to be in the level of DKK 11.5 million.

Statutory report on foundation governance

The Foundation has decided to follow all recommendations of the Committee on Foundation Governance, except for the recommendation on disclosing the allocation of fees to each member of the Board of Directors. This means:

1.1. The board of directors has adopted guidelines for external communication, including who can make public statements on behalf of the commercial foundation and on what matters. The guidelines should address the

need for transparency and stakeholders' needs and possibilities to obtain relevant up-to-date information about the circumstances of the foundation.

2.1.1 In order to secure the activities of the foundation in accordance with the purposes and interests of the foundation, at least once a year the board of directors take a position on the overall strategy and distribution policy of the foundation on the basis of the articles of association.

2.1.2 The board of directors regularly addresses whether the foundation's asset management is in line with the purpose of the foundation and its long- and short-term needs.

2.2.1 It has been decided that the chairman of the board of directors organise, convene and chair meetings of the board of directors in order to ensure effective board work and to establish the best conditions for the work of the board members individually and collectively.

2.2.2 If, in addition to the position as chairman, in exceptional circumstances, the chairman of the board of directors is requested to perform specific operating functions for the commercial foundation, a board resolution be passed which ensures that the board of directors retains its independent, overall management and control function.

2.3.1 The board of directors regularly assesses and stipulates the competences that the board of directors is to possess in order to perform the tasks incumbent upon the board of directors as well as possible.

2.3.2 With due respect of any right in the articles of association to make appointments, the board of directors ensures a structured, thorough and transparent process for selection and nomination of candidates for the board of directors.

2.3.3 Members of the board of directors are appointed on the basis of their personal qualities and competences taking into account the collective competences of the board, and when composing and nominating new members of the board the need for introducing new talent is weighed against the need for continuity and the need for diversity is considered in relation to commercial and grants experience, age, and gender.

2.3.4 The Board of Directors is composed of the following members:

Peter Hald Appel, lawyer with a right of audience in the Danish Supreme Court, 60 years old, partner in Gorrissen & Federspiel, joined the Board of Directors on 01.04.2020.

Peter Appel primarily engages in common business law advice, including management consultancy to clients in the shipping industry, representing several of the largest Danish shipping companies. As an additional area of specialisation, he covers the entire transport sector and infrastructure projects. He represents trade associations such as Danish Shipping, BIMCO, Dansk Transport og Logistik (DTL), Danish Maritime and Global Maritime Forum. He participates in court cases, including arbitration cases. He is regularly appointed as arbitrator.

Leadership and board member experience:

- Board member of A/S United Shipping & Trading Company, Bunker Holding A/S, SDK A/S, Uni-Tankers A/S, Norchem A/S, Clipper Group, BIMCO Informatique A/S, and Nordic Offshore & Maritime Arbitration Association
- Chairman of the board of directors of Fayard A/S, Fayard Holding A/S, The Danish Branch of Comité Maritime International, and Deloitte Fonden.

Elisabeth Fogtdal Nøjgaard, former lawyer with a right of audience in the Danish High Court, 58 years old, managing director of Karen Blixen Museum Rungstedlund, joined the Board of Directors on 01.01.2021. Managing director with experience in leadership, business development, digitisation, and communication. Chairman of the board of directors of the Danish Academy of Creative Writing and the Cross Media School of Children's Fiction, and board member of A/S Ole Haslunds Hus, Kristeligt Dagblad, and ENIGMA - Museum of Communication.

Jesper Jørgensen, state-authorised public accountant, 64 years old, joined the Board of Directors on 24.10.2017.

Partner specialised in properties and football economy.i.

Henrik Vedel, state-authorised public accountant, 60 years old, joined the Board of Directors on 24.10.2017. Partner specialised in larger industrial companies.

Mette-Katrine Hviid, MSc in Business Administration and Auditing, 39 years old, joined the Board of Directors on 09.10.2020, elected for four years.

Director in Audit & Assurance specialised in non-profit housing associations and managerial responsibility.

Eva Sigurbjörg Thorkelsdóttir (maternity leave), 33 years old, joined the Board of Directors on 09.10.2020, elected for four years.

Manager in Digital Transformation specialised in the implementation of new technology.

Nidha Rizwan (alternate for Eva Sigurbjörg Thorkelsdóttir), 29 years old, joined the Board of Directors on 27.09.2021, elected for one year during maternity leave.

Manager specialised in international personal tax, social security, and global mobility.

2.3.5 The Foundation has no subsidiaries, for which reason this item is considered irrelevant.

2.4.1 An appropriate proportion of the board of directors is independent of the foundation.

2.5.1 Members of the board of directors are appointed for a period of four years, with the possibility of being re-elected once.

2.5.2 An age limit for members of the board of directors is set at 70 years.

2.6.1 The board of directors establishes an evaluation procedure in which the board of directors, the chairman and the contributions and performance of individual members are evaluated annually and the result is discussed by the board of directors.

2.6.2 Once a year the board of directors evaluates the work and performance of the executive board in accordance with predefined clear criteria.

3.1 The members of the board of directors and the executive board are remunerated with a fixed remuneration. The remuneration reflects the work and responsibilities consequential to the position.

3.2 The annual financial statements provide information about the full remuneration received by each member of the board of directors and executive board from the commercial foundation and from other enterprises in the group. Furthermore, information is disclosed on any other remuneration which members of the board of

directors have received for performing tasks for the foundation, subsidiaries of the foundation or enterprises in the same group as the foundation.

Statutory report on distribution policy

The Board of Directors has and will continue to focus significantly on supporting the professional and personal development of Deloitte employees. The prerequisite for retaining the most talented people at Deloitte, thus ensuring the continuation of Deloitte, is to create a framework in which individuals feel that their talent is constantly challenged, developed, and used both practically and theoretically.

In practice, the Foundation receives an application from Deloitte stating the costs incurred in support of expatriate employees, any PhD students, internal and external training courses, and similar costs incurred in the further development of Deloitte employees. The Foundation does not support courses teaching employees specific Deloitte tools or methods or training of Deloitte partners, and ensures that the application does not include costs of such nature. The Foundation does not support applications sent directly, as the projects to be supported must be prioritised from a business point of view. On this basis, the Board of Directors evaluates annually whether partial financial support can be made.

The Foundation has accomplished its secondary object to a certain degree through its distributions to Deloitte employees who have later switched to other companies. However, the Board of Directors does not consider having a granting capacity that currently enables other kinds of distributions.

The Deloitte Foundation has bought art and contributed to the purchase of art for Deloitte offices, promoting an inspiring environment for the same people who are the primary focus of the Foundation. The purchase of art will continue to be a focus area.

The Board of Directors will continuously evaluate whether the Foundation's finances allow distribution to charitable purposes.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021/22

	Notes	2021/22 DKK'000	2020/21 DKK '000
Revenue		13,149	13,925
Other external expenses		(649)	(835)
Property costs		(75)	(22)
Gross profit/loss		12,425	13,068
Staff costs	1	(803)	(800)
Other operating expenses		(824)	0
Operating profit/loss		10,798	12,268
Income from investments in group enterprises		802	2,643
Other financial income	2	1,479	463
Other financial expenses	3	(1,011)	(3,183)
Profit/loss before fair value adjustments and tax		12,068	12,191
Fair value adjustment of investment properties		42,800	1,931
Profit/loss before tax		54,868	14,122
Tax on profit/loss for the year	4	(11,868)	(3,958)
Profit/loss for the year		43,000	10,164
Proposed distribution of profit and loss:			
Provision for distributions		0	20,000
Retained earnings		43,000	(9,836)
Proposed distribution of profit and loss		43,000	10,164

Balance sheet at 31.03.2022

Assets

	Notes	2021/22 DKK'000	2020/21 DKK'000
Investment property		209,000	195,200
Property, plant and equipment	5	209,000	195,200
Investments in group enterprises		0	147,644
Other investments		16	16
Financial assets	6	16	147,660
Fixed assets		209,016	342,860
Deferred tax	7	5,905	17,704
Other receivables		178,091	36,941
Income tax receivable		951	0
Prepayments	8	168	76
Receivables		185,115	54,721
Cash		34,651	13,185
Current assets		219,766	67,906
Assets		428,782	410,766

Equity and liabilities

	Notes	2021/22 DKK'000	2020/21 DKK'000
Contributed capital		50,700	50,700
Reserve for net revaluation according to the equity method		0	47,646
Provision for distributions	9	20,000	20,000
Retained earnings		282,461	191,815
Equity		353,161	310,161
Mortgage debt		69,000	86,655
Other payables	10	5,596	6,721
Non-current liabilities other than provisions	11	74,596	93,376
Payables to group enterprises		0	5,852
Income tax payable		0	98
Other payables		1,025	1,279
Current liabilities other than provisions		1,025	7,229
Liabilities other than provisions		75,621	100,605
Equity and liabilities		428,782	410,766
Assets charged and collateral	12		
Non-arm's length related party transactions	13		

Statement of changes in equity for 2021/22

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Provision for distributions DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	50,700	47,646	20,000	191,815	310,161
Effect of divestments of entities etc	0	(48,448)	0	48,448	0
Profit/loss for the year	0	802	0	42,198	43,000
Equity end of year	50,700	0	20,000	282,461	353,161

The Board of Directors has decided to keep distributions at DKK 20,000 thousand in 2022/23.

Notes

1 Staff costs

	2021/22 DKK'000	2020/21 DKK'000
Wages and salaries	800	800
Pension costs	3	0
	803	800

	Remuneration of Management 2021/22 DKK'000	Remuneration of Management 2020/21 DKK'000
Total amount for management categories	800,000	800,000
	800,000	800,000

	2021/22	2020/21
Average number of full-time employees	1	1

2 Other financial income

	2021/22 DKK'000	2020/21 DKK'000
Other interest income	1,479	463
	1,479	463

3 Other financial expenses

	2021/22 DKK'000	2020/21 DKK'000
Financial expenses from group enterprises	360	2,745
Other interest expenses	466	383
Fair value adjustments	183	52
Other financial expenses	2	3
	1,011	3,183

4 Tax on profit/loss for the year

	2021/22 DKK'000	2020/21 DKK'000
Current tax	299	98
Change in deferred tax	11,799	3,860
Adjustment concerning previous years	(230)	0
	11,868	3,958

5 Property, plant and equipment

	Investment property DKK'000
Cost beginning of year	187,878
Disposals	(30,132)
Cost end of year	157,746
Fair value adjustments beginning of year	7,322
Fair value adjustments for the year	42,800
Reversal regarding disposals	1,132
Fair value adjustments end of year	51,254
Carrying amount end of year	209,000

The Foundation's investment properties consist of three office buildings totalling 11,365 square metres, located on Funen and in Jutland. The investment properties are measured at fair value applying the yield-based model in accordance with the accounting policies.

A required rate of return in the range of 5.25-5.75 has been applied (weighted average 5.4%) (31.03.2021: 5.98%-7.93%, weighted average 6.49%).

Uncertainty is attached to calculating the required rates of return, given that the marketability of properties is highly limited in the geographical areas where the Foundation's properties are located.

In addition, the following significant assumptions have been applied in measuring fair value:

- The Foundation's properties have been leased out 100% according to lease agreements with lease terms between five and nine years.
- The Foundation's properties are measured at an average value of DKK 18,394 per square metre (2020/21: DKK 15,839 per square metre) and the average rent of the leased-out properties amounts to DKK 993 per square metre (2020/21: DKK 1,129 per square metre).

An external valuer has participated in the valuation of the Foundation's properties.

6 Financial assets

	Investments in group enterprises DKK'000	Other investments DKK'000
Cost beginning of year	100,000	16
Disposals	(100,000)	0
Cost end of year	0	16
Revaluations beginning of year	47,644	0
Share of profit/loss for the year	802	0
Reversal regarding disposals	(48,446)	0
Revaluations end of year	0	0
Carrying amount end of year	0	16

7 Deferred tax

	2021/22 DKK'000	2020/21 DKK'000
Property, plant and equipment	(11,276)	(1,514)
Liabilities other than provisions	(31)	(31)
Tax losses carried forward	10,912	13,429
Other taxable temporary differences	6,300	5,820
Deferred tax	5,905	17,704

	2021/22 DKK'000	2020/21 DKK'000
Changes during the year		
Beginning of year	17,704	21,564
Recognised in the income statement	(11,799)	(3,860)
End of year	5,905	17,704

8 Prepayments

Prepayments amount to DKK 168 thousand (2020/21: DKK 76 thousand).

9 Provision for distributions

In the light of the Foundation's assets, operations, and liquidity, Management has made a provision of DKK 20 million for future distributions during the financial year 2022/23. Please refer to the distribution policy of the Foundation.

10 Other payables

	2021/22	2020/21
	DKK'000	DKK'000
Other costs payable	5,596	6,721
	5,596	6,721

Other costs payable comprise deposits.

11 Non-current liabilities other than provisions

	Due after more than 12 months	Outstanding after 5 years
	2021/22	2021/22
	DKK'000	DKK'000
Mortgage debt	69,000	65,836
Other payables	5,596	5,596
	74,596	71,432

12 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

The carrying amount of mortgaged properties amounts to DKK 127,600 thousand on 31.03.2022.

13 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

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

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Foundation, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Foundation has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Foundation, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Revenue

Revenue comprises rents earned for the year.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments for the financial year of the Foundation's investment properties measured at fair value at the balance sheet date, as well as gains and losses from the sale of investment properties.

Other external expenses

Other external expenses include expenses relating to the Foundation's ordinary activities, including administrative costs.

Property costs

Property costs include costs incurred to operate the Foundation'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 lessees.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for the

Foundation's staff.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Foundation's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on securities, amortisation of financial assets, fair value adjustments of derivative financial instruments, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Investment property**

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property.

The expected cash flows are based on the budgeted net earnings for the coming year, which are adjusted to expected normal earnings. In addition, adjustments are made for circumstances not reflected in normal earnings, e.g. major renovation projects, expected vacancy, etc.

Calculating the value in use is based on a required rate of return determined for each property on the basis of current market conditions of the property type concerned at the balance sheet date, the location of the properties, the credit quality of tenants, etc, thus assessing the required rate of return to reflect the current required rate of return of a market on similar properties.

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

Interest expenses on loans to finance investment properties in progress are recognised in cost if they relate to the construction process.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. So far, goodwill has not been recognised in connection with the acquisition of enterprises.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted securities measured at the lower of cost and net realisable value.

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Distributions

Distributions that have been adopted and distributed at the balance sheet date in accordance with the object of the Foundation are deducted from equity through the line item provision for distributions.

Those of the Foundation's expenses which are considered distributions are deducted from its amount provided for distributions in that an amount equivalent to distributions is recognised as income.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds

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

Other financial liabilities

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