

# URBANIC NETHERLANDS I CV



## ANNUAL REPORT

2022

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## 1. Company details

### **The Fund**

Urbanic Netherlands I C.V.  
Amsteldijk 131-H  
1078 RT Amsterdam  
The Netherlands

### **General Partner**

Urbanic Netherlands I B.V.  
Amsteldijk 131-H  
1078 RT Amsterdam  
The Netherlands

### **Fund Manager**

Urbanic B.V.  
Amsteldijk 131-H  
1078 RT Amsterdam  
The Netherlands

### **Fund Custodian**

Stichting Urbanic Netherlands I  
Amsteldijk 131-H  
1078 RT Amsterdam  
The Netherlands

### **Depositary**

Vistra Depositary Services B.V.  
Herikerbergweg 82  
1101 CM Amsterdam  
The Netherlands

### **Fund Administrator**

Voorn & Zijp Administratie en Fiscaaladvies B.V.  
Noordeinde 128-F  
1121 AL Landsmeer  
The Netherlands

### **Property Manager**

FLINQ Vastgoed B.V.  
Amsteldijk 131-H  
1078 RT Amsterdam  
The Netherlands

### **Auditors**

Vanhier Audit Services B.V.  
Pieter Ghijzenlaan 24C  
1506 PV Zaandam  
The Netherlands

## 2. Disclaimer

This report is prepared solely for the benefit of the investors ("the Investors") in Urbanic Netherlands I C.V. ("the Fund") and is private and confidential. It is not to be distributed other than to the Investors nor is it to be copied or otherwise reproduced without the express written consent of the Fund Manager. This report contains information which is commercially sensitive, and which is, by its nature, confidential to the Fund, the Manager, and the Investors. The attention of the recipients is drawn to the confidentiality provisions contained within the partnership agreements relating to the Fund. In particular Investors shall not, and each Investor shall use all reasonable endeavours to procure that every person connected with or associated with such Investor shall not, disclose to any person, firm or corporation - or use to the detriment of the Fund, the Manager, any of the Investors or any of the properties - any confidential information contained herein.

### 3. Report of the General Manager

The General Partner hereby presents the Financial Statements of Urbanic Netherlands I C.V. (also the "Fund") for the period 1 January 2022 through 31 December 2022.

#### General information and principal activity of the Fund

Urbanic Netherlands I C.V. was formed on May 31, 2017. It is registered with the Netherlands Chamber of Commerce under number 68964633. The Fund is registered with the Dutch Authority for the Financial Markets ("AFM") as an Alternative Investment Fund and is required to provide financial data to the Dutch Central Bank and the AFM on a regular basis.

Except in case of inheritance, according to the Partnership Agreement of the Fund, participations in the Fund can only be transferred with the consent of all other partners. The Fund is therefore transparent for Dutch personal and corporate income tax purposes and Fund results are taxed at the level of the participants. The Fund itself is not subject to Dutch income tax.

The principal activity of the Fund is to acquire real estate in Amsterdam and Rotterdam, configure such real estate for communal living and to seek long-term return on investment by renting the properties to young professionals. The strategy and approach of the Fund are fully documented in the Information Memorandum dated April 28, 2017, which was provided to potential investors.

The Fund is fully invested.

#### Urbanic B.V.

Urbanic B.V., a limited liability company incorporated under the laws of the Netherlands, registered with the Netherlands Chamber of Commerce under number 64696006, acts as fund manager of Urbanic Netherlands I C.V.. On April 11, 2022, Urbanic B.V. was granted an Alternative Investment Fund Manager license under article 2:65 Wft (Law Financial Supervision) by the AFM.

On March 3, 2023 Urbanic B.V. filed an application with the AFM to expand its license to allow it to offer participations to retail investors. Current information on Urbanic B.V. and the Urbanic funds can be found on the company's website: [www.urbanic.nl](http://www.urbanic.nl).

#### Urbanic Netherlands I B.V.

Urbanic Netherlands I B.V., a limited liability company incorporated under the laws of the Netherlands, acts as Managing Partner of the Fund. Urbanic Netherlands I B.V. is registered with the Netherlands Chamber of Commerce under number 68617399. All shares of Urbanic Netherlands I B.V. are held by Urbanic B.V.

#### Stichting Urbanic Netherlands I

Stichting Urbanic Netherlands I, a foundation under the laws of the Netherlands and registered with the Netherlands Chamber of Commerce under number 68622996, acts as the Custodian of the Fund and in that capacity holds legal title to the assets of the Fund.

#### Depository

In accordance with the Alternative Investment Fund Manager Directive (AIFMD), 2011/61/EU and the Law on Financial Supervision (Wft) Urbanic Funds have engaged an independent depository licensed by the Authority for the Financial Markets. For the period April 11, 2022 through March 10, 2023 CSC Depository Services B.V. acted as depository. From April 1, 2023 onwards Urbanic appointed Vistra Depository Services B.V. as depository for its funds as we felt this service provider has a good cultural fit with Urbanic.

The depository is responsible to monitor the activities of the Funds for the benefit of the participants. The key focus of the depository is to monitor the activities and actions of the fund manager, Urbanic B.V.. The activities of the depository are formalized in an agreement which has been reviewed and approved by the AFM and include among others the following:

- Verify the receipt of the amounts due from the participants for their participations.
- Verify that all monies are held in the bank account(s) of the Fund.
- Monitor payments and receipts of fund assets and reconcile those amounts to the administration.

- Verify timeliness of receipts
- Verify that distributions to participants are made in accordance with Fund documentation.
- Verify that assets are registered in the name of the Fund.
- Verify that the valuation of the Fund's equity is in accordance with the Fund documentation and legal requirements.

## Portfolio

The portfolio of the Fund consists of 71 residential apartments in Amsterdam (13 units), Rotterdam (57 units) and The Hague (1 unit). Most units are fully rented in a communal living model, some units are rented to couples.

During the year the rental market remained very strong, and the portfolio was almost fully rented throughout the year with no rent arrears. Some limited vacancy was reported because of necessary repairs to two apartments in Rotterdam in Rotterdam where some leakage occurred in the basements which were converted into bedrooms. The cause of this problem is that the city of Rotterdam is making changes to their water management system which periodically leads to higher ground water levels.

## The Market

At the end of Q3 of 2022 house prices were still up. At the end of the year this had changed. For the first time in 10 years there was a reduction in house prices on a year-on-year basis. According to the NVM, the Dutch association of real estate brokers, per m<sup>2</sup> prices came down by 4,1% on a national basis and in the greater Amsterdam area, and by 2,2% in the greater Rotterdam area. ABN AMRO Bank, which at the end of Q3 of predicted that prices would come down by 2,5% in 2023, expects that prices will come down by 6% in 2023 and a further 4% in 2024.

Key reasons are higher interest rates and inflation that is not fully compensated in wages, which both reduce the affordability of houses. Higher energy prices start to have a notable impact on house prices and the expectation is that this trend will continue. As the Fund's properties generally have A or B energy labels this should provide support.

At the same time the rental market remains very strong as there continues to be a significant shortage of availability of houses and alternative housing options for our target group of young professionals.

## Financial Information

Total capital committed to the Fund by the participants amounts to € 9,6 million. The Fund has called the entire amount of the commitments between 2017 and 2019.

Since its establishment the Fund invested almost € 27 million in properties. At year end the Fund had € 15,4 million of mortgage debt, equal to 57.2% of the total amount invested in properties. Approximately 62.5% of the outstanding mortgage debt is at fixed interest rates at a weighted average of 2,92%. The remaining 37.5% of the mortgage debt is at a variable interest rate of 3-month Euribor plus 2.5 – 2.7% which resulted in a weighted average of approximately 3,64%. The total interest amounted to a weighted average of 3,19%, slightly above the 3% projected in the Information Memorandum. . As a result of the increase in variable interest rates, interest payments increased by almost € 20,000 in comparison with 2021.

The mortgage loans will mature on October 1 of 2024.

The loan agreements stipulate that the debt yield of the Fund, defined as net rents/loans outstanding, should at all times exceed 7%. The Fund meets this covenant.

Gross rental revenue increased by 2.6% and is the balance between the maximum legal rent increase of 3.3% and vacancy. Direct real estate cost was stable at 13.5% of gross rent which is slightly above our estimates in the purchase reports. In 2022 the Fund realized a net profit of € 1,236,652.

During the year the Fund made distributions of € 800,000, of which € 450,000 were preliminary distributions from 2022 results. In February of 2023 the Fund made a further distributions of 2022 results of € 190,000, bringing the total distributions from 2022 results to € 640,000, or € 6,667 per participation of € 100,000 (6,66%). The main reason for this lower distribution is unexpected repairs of about € 100,000 to address leakage in the basement of properties caused by changes of water management by the city of Rotterdam. Another reason for the lower distribution is the higher interest charges on our loans with variable interest, which added almost € 20,000 to the interest bill this year.

It is the Fund's policy to value investment properties at cost. The Fund's equity at the end of 2022 is equal to € 11,237,686, or € 117,059 per participation of € 100,000.

## **Other Issues**

### **Regulatory Developments**

The housing market continues to be under a lot of stress and protests against the lack of housing and the high housing prices (both purchase prices and rents) are frequent. The housing market is also high on the agenda of both the national and local politicians.

During the year, and subsequently in 2023, the government published proposals to further regulate the mid-market rental segment, and thus reduce the number of houses in the liberalized rental market. Although these proposals are still subject to revision and discussion, we believe that these new regulations, possibly with some amendments, will become effective from January 1, 2024. This will only lead to a reduction of the rent when the current tenant leaves or the rental contract otherwise ends. It is our analysis that the proposal as currently published will not have a significant impact on the Fund as most properties will not fall in the newly regulated mid-market segment. We expect that some properties will need some limited investment to improve their energy labels to stay in the liberalized rental market segment when the rental contract terminates. A few properties may fall in the regulated mid-market segment. At the expiration of the rental contract, we need to determine the best solution: continue to rent at a lower rent or sell the property.

In 2021 the government decided to maximize rent increase in the liberalized market to inflation plus 1%. In response to the high inflation in 2022, it was decided to change this rule and maximize rent increases to the % increase of collectively negotiated wages plus 1%. As a result, rent increases are capped at 4.1% in 2023.

### **Amsterdam Ground Rent**

On June 28, 2017 the City of Amsterdam adopted a new system for ground rent that opened the possibility to terminate the ground rent in exchange for a lump sum payment or a ground rent which increases with inflation. The Fund has seven properties subject to ground rent and in 2019 has made applications to receive proposals for those properties from the City of Amsterdam. So far, no proposals have been received. We do not expect potential payments to be material.

### **Compensation Policy**

The Fund has no personnel. Personnel engaged with the Fund is employed by the Fund Manager, Urbanic B.V.. Urbanic B.V. employees are exclusively entitled to a fixed compensation, which is not dependent on the results of the Fund or Urbanic B.V., and compensation of normal business expenses. Urbanic B.V. personnel cost is not taken into the basis for calculating the management fee charged to the Fund.

## **Outlook**

As we discussed above, we believe that further regulation of the mid-market rental segment should over time lead to an upward trend in rents of houses in the liberalized rental market. Our analysis shows that the immediate impact on the Fund's portfolio of this regulation is likely to be very limited.

In 2023 the uncertainty of what new regulations will finally look like, in combination with the significantly higher financing cost and inflation, make investors hesitant to invest in the housing market. An exit of the Fund is therefore not expected this year.

At the end of 2022 the actual gross rental yield of the portfolio was approximately 8.08%, the net rental yield 6.99%. We expect gross and net yield in 2023 to be in line with those in 2022.

During 2023 the Fund is expected to make preliminary distribution of €150,000 per quarter from 2023 results.

## **Risks**

The Fund is subject to a number of risks. Key risks include interest rate and refinancing risk, vacancy, and regulatory risk. The Fund actively monitors and manages those risks.

### **Interest and Refinancing risk**

The Fund is partially financed with debt at variable interest rates. Variable interest rates have risen over the past year and the risk is that they may rise further. This risk cannot be mitigated without incurring significant costs. As the mortgage loans mature on October 1, 2024, this risk will be addressed by refinancing the portfolio at that date and is therefore limited in time. The risk that the Fund's portfolio cannot be refinanced is very small, but the Fund may at that time have to accept higher interest rates.

### **Vacancy risk**

The second key risk of the Fund is vacancy. The significant shortage of alternative housing options for our target group makes the vacancy risk very limited. Vacancy has not occurred in the Fund's portfolio, other than in relation to major repairs, and this risk is carefully managed by maintaining a positive relationship with current and potential future tenants.

### **Regulatory risk**

The Dutch housing market are extensively regulated. The Fund invests outside the regulated rental segment, but changes in regulation or unexpected interpretation and/or enforcement may negatively affect the Fund. The Fund continuously monitors regulatory developments and takes potential changes into account in its operational decisions.

## **Statement on Business Operations**

Urbanic B.V. has a detailed description of its business operations in accordance with article 3:17, second paragraph under c and article 4:14, first paragraph Wft (Law Financial Supervision). and related legislation such as the Decision on Supervision of Conduct of Financial enterprises (Besluit Gedragstoezicht Financiële Ondernemingen or BGFO). The Fund manager has not become aware that the business operations are not conducted effectively and in line its description.

Amsterdam, May 19, 2023

Managing Partner of the Fund:  
Urbanic Netherlands I B.V.

## 4. Financial statements

### 4.1 Balance sheet as at 31 December 2022 after result appropriation

Assets	Note	31-12-2022	31-12-2021	Equity and liabilities	Note	31-12-2022	31-12-2021
<b>Fixed assets</b>				<b>Fund equity</b>	4.7.4		
<i>Intangible fixed assets</i>				Capital called		9,600,000	9,600,000
Set up costs	4.7.1	186	2,905	Legal reserve		186	2,905
<i>Tangible fixed assets</i>				Distributions		-2,820,000	-2,020,000
Property investments	4.7.2	26,976,816	26,836,088	Total net profits		<u>4,457,499</u>	<u>3,218,128</u>
						11,237,685	10,801,033
				<b>Provisions</b>	4.7.5	46,561	39,599
<b>Total fixed assets</b>		<u>26,977,002</u>	<u>26,838,993</u>	<b>Long-term liabilities</b>	4.7.6		
				Bank loans (fixed interest)		9,426,123	8,278,797
				Bank loans (variable interest)		5,656,912	5,785,428
				<b>Short-term liabilities</b>			
<b>Current assets</b>		500	2,712	Creditors		77,518	101,900
				Bank loan repayments	4.7.6		
				- loans fixed interest rate		210,800	1,560,800
				- loans variable interest rate		134,100	134,100
				Accrued interest bank loans			
<b>Cash and cash equivalents</b>				- fixed interest		71,645	71,452
Bank	4.7.3	402,094	429,373	- variable interest		54,774	30,183
				Deposits tenants		350,010	348,702
				Rental prepayments		113,468	119,084
<b>Total assets</b>		<u>27,379,596</u>	<u>27,271,078</u>	<b>Total equity and liabilities</b>		<u>27,379,596</u>	<u>27,271,078</u>



## 4.2 Profit and loss account 2022

	Note	2022	2021
<b>Income</b>			
Gross rental income		2,178,461	2,123,062
Other income		1,264	20,991
Net income		<u>2,179,725</u>	<u>2,144,053</u>
<b>Expenses</b>			
Interest and other finance expenses	4.8.1	-450,191	-430,549
Direct real estate costs	4.8.2	-293,390	-288,910
Fund expenses	4.8.3	-37,403	-26,535
Fund manager fee		-159,370	-150,532
Amortization set-up expenses	4.7.1	-2,719	-4,421
Total expenses		<u>-943,073</u>	<u>-900,947</u>
Result before tax		1,236,652	1,243,106
Taxation		-	-
<b>Result</b>		<u><u>1,236,652</u></u>	<u><u>1,243,106</u></u>

## 4.3 Cash flow statement 2022

	2022		2021	
	€	€	€	€
<b>Net result</b>		1,236,652		1,243,106
Adjustments:				
Amortizations		16,429		18,907
Provisions		6,962		19,004
		<u>1,260,043</u>		<u>1,281,017</u>
Changes in current assets	2,212		-2,712	
Changes in current liabilities	-3,906		1,357,207	
Cash flow from operation activities		<u>-1,694</u>		<u>1,354,495</u>
--				
Proceeds from disposals	-		519,653	
Investments in real estate	-140,728		-179,616	
Cash flow from investing activities		<u>-140,728</u>		<u>340,037</u>
Capital contributions	-		-	
Distributions	-800,000		-920,000	
Mortgages received	-		145,000	
Mortgages repaid	-344,900		-707,900	
Long-term debts	-		-1,350,000	
Cash flow from financing activities		<u>-1,144,900</u>		<u>-2,832,900</u>
<b>Net cash flow</b>		<u>-27,279</u>		<u>142,649</u>
Cash and cash equivalent start of reporting period		429,373		286,724
<b>Cash and cash equivalent end of reporting period</b>		<u><u>402,094</u></u>		<u><u>429,373</u></u>

#### **4.4 Balance sheet disclosures**

##### **4.4.1 General**

Urbanic Netherlands I C.V., ('the Fund'), having its legal address in Amsterdam, is a limited partnership under Dutch law and is registered under number 68964633 in the Trade Register. Urbanic Netherlands I C.V. was formed on May 31, 2017.

Urbanic Netherlands I C.V. is a Dutch limited partnership. The partnership's main activity is investing in Dutch residential real estate and renting it to young urban professionals and as such generating a rate of return for its limited partners.

The Financial Statements have been drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'), in particular RJ 615 regarding Investment entities.

Assets and liabilities are generally kept at historical cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the Balance Sheet, Profit and Loss Account and the Cash Flow Statement, references have been made to the notes.

Use of estimates: In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

All financial information is presented in Euro's unless otherwise indicated.

##### **4.4.2 Accounting policies applied to the valuation of assets and liabilities**

###### **Intangible fixed assets**

Intangible fixed assets are only recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Fund and the cost of that asset can be measured reliably.

Intangible fixed assets are measured at acquisition or construction cost, less accumulated amortization and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included in the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognized as an expense in the profit and loss account.

###### **Set up costs**

Set up costs are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of five years. A legal reserve is recorded for the capitalized set up costs that have not yet been amortized.

###### **Tangible fixed assets**

###### **Property Investments**

Property investments are properties held to generate rental income, to achieve capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment. Property under construction is presented separately in the notes.

The property investments are measured at cost, including transaction costs, less accumulated depreciation and impairment losses. Cost comprises the purchase price and any directly attributable costs such as renovation costs, legal advisory fees, transfer taxes and other transaction costs.

Expenditure after initial recognition of investment property is capitalized when it is probable that the expenditure will lead to an increase in the expected future economic benefits. All other expenditure is recognized as an expense in the profit and loss account in the period in which it occurs.

Investment property is no longer capitalized in case of disposal or permanent decommissioning, and in case of decommissioning when no future economic benefits are expected anymore.

Gains or losses on disposal or decommissioning of investment property are determined based on the difference between the net proceeds and the carrying amount of the asset and are recognized in the profit and loss account.

### **Receivables**

Receivables are recognized initially at fair value and subsequently measured at amortized cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognized using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

### **Cash and cash equivalents**

Cash and cash equivalents represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognized as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

### **Provisions**

#### ***General***

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The other provisions are valued at the discounted value of the expenditure that is expected to be necessary to settle the obligations, unless the time course is not material or the provision is short-term.

#### ***Provision for major maintenance of buildings***

A provision is recognized for expenditures incurred on major maintenance work on buildings in order to spread these costs over a number of financial years. The addition to the provision is determined based on the expected amount of the maintenance work and the intervals between the times when major maintenance work is carried out.

### **Long-term liabilities**

Long-term liabilities are liabilities with a term longer than one year.

On initial recognition long-term debts are recognized at nominal value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognized at the amortized nominal value, being the amount owed taking into account premiums or discounts and minus transaction costs. The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

### **Current liabilities**

Current liabilities are liabilities with a term shorter than twelve months.

The Current liabilities are recognized initially at nominal value and subsequently kept at the amortized cost price, being the amount owed, taking into account premiums or discounts, less transaction costs. This usually is the nominal value. Overdrafts at banks are recognized as part of debts to lending institutions under Current liabilities.

#### **4.5 Profit and loss disclosures**

##### **General**

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

##### **Rental income**

Rental income is recognized on the straight-line method over the term of the rental agreement.

##### **Direct real estate cost**

These include costs directly related to the Property Investments, such as maintenance, insurance, management, property tax etc, and are expenses as incurred. These expenses at a property level are referred to as direct real estate costs.

##### **Fund expenses**

These comprise general overheads such as advisory-, audit and administration fees.

##### **Amortization of intangible assets and depreciation of investment property**

Intangible assets, including goodwill, are amortized and investment property are depreciated over their estimated useful lives as from the moment that they are ready for use. Land is not depreciated. Future depreciation and amortization is adjusted if there is a change in estimated future useful life.

Set-up costs:	20% per year
Investment property:	0% per year

##### **Impairment of non-financial assets, other than inventories**

At each reporting date, property and intangible assets, are reviewed to determine whether there are any special circumstances or other indications that those assets have suffered an impairment loss, or an impairment loss previously recognized no longer exists or may be decreased. Special circumstances are significantly changed market conditions, vacancy, material changes in rental stock (duration, amount of rent) etc. Input data such as the price development of similar real estate in the city/neighbourhood concerned, the state of maintenance, operating costs, existing leases, vacancy, etc. are used.

If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

##### **Financial income and expense**

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognized transaction expenses for loans received are taken into consideration.

#### **4.6 Accounting policies for the cash flow statement**

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks.

Payments of interest are presented within the cash flows from operating activities. Payments of distributions are presented within the cash flows from financing activities.

Transactions that do not include an exchange of cash and cash equivalents are not included in the cash flow statement.

**4.7 Notes to the financial statements (balance sheet)****4.7.1 Set-up expenses**

The movements in the set-up costs during the reporting period can be specified as follows:

	2022		2021	
	€	€	€	€
Book value 1 January	2,905		7,325	
Amendments	-		-	
Amortizations book year	<u>-2,720</u>		<u>-4,420</u>	
Book value 31 December		<u>185</u>		<u>2,905</u>
Accumulated set up expenses	22,141		22,141	
Accumulated amortizations	<u>-21,956</u>		<u>-19,236</u>	
Book value 31 December		<u>185</u>		<u>2,905</u>

**4.7.2 Property investments**

The movements in property investments during the reporting period can be specified as follows:

	2022		2021	
	€	€	€	€
Value as at 1 January	26,836,088		27,176,125	
Investments	-		3,368	
Renovations & capitalized costs	140,728		162,520	
Construction guidance fees (i)	-		13,728	
Disposals	<u>-</u>		<u>-519,653</u>	
Value as at 31 December		<u>26,976,816</u>		<u>26,836,088</u>

The General Partner of the Investment fund is of the opinion that the expected useful life of the property portfolio is infinite, no depreciations are taken into account until a change of viewpoint.

Stichting Urbanic Netherlands I holds the legal title to the property investments economically owned by Urbanic Netherlands I C.V.

(i) Construction Guidance Fees are fees charged under an outsourcing agreement with the real estate service provider.

**4.7.3 Cash and cash equivalents**

Cash at banks and in hand represent cash in hand and bank balances and amounts to € 402,094 as per the reporting date. The bank account is held with Rabobank and Stichting Urbanic Netherlands I is the registered account holder as custodian of Urbanic Netherlands I C.V.

**4.7.4 Fund equity**

The total Capital Commitment of the Limited Partners is € 9,600,000.

	<b>Capital contributions</b>	<b>Legal reserve</b>	<b>Distributions</b>	<b>Total net profits</b>	<b>Total</b>
	€	€	€	€	€
Balance 31 December 2021	9,600,000	2,905	-2,020,000	3,218,128	10,801,033
Capital contributions	-	-	-	-	-
Distributions	-	-	-800,000	-	-800,000
Movement in the year	-	-2,719	-	2,719	-
Result for the period	-	-	-	1,236,652	1,236,652
Balance 31 December 2022	<u>9,600,000</u>	<u>186</u>	<u>-2,820,000</u>	<u>4,457,499</u>	<u>11,237,685</u>

In accordance with paragraph 4.5.6 of the Information Memorandum it is intended that the profit will be distributed annually in the month of May after the completion of the annual accounts also taken into account ad interim distributions.

**4.7.5 Provisions**

This represents a provision for major maintenance of 1% of the annual rental income.

**4.7.6 Long term liabilities**

The fund received mortgage loans from ING Real Estate, which have fixed or variable interest rates. As per the reporting date the long-term liabilities can be specified as follows:

	<b>2022 Principal (€)</b>	<b>Long-term</b>	<b>Short-term</b>
Fixed interest rate	9,649,775	9,438,975	210,800
Variable interest rate	5,800,750	5,666,650	134,100
Commissions mortgage loans	-86,225	-86,225	-
Amortizations commissions	63,635	63,635	-
Total	<u>15,427,935</u>	<u>15,083,035</u>	<u>344,900</u>

The movements in the long-term liabilities can be specified as follows:

	<b>2022</b>	<b>2021</b>
	€	€
Value as at 1 January	14,064,225	15,962,638
Loans received	-	145,000
Repayments made	-337,400	-707,900
Loans short-term	1,342,500	-1,350,000
Amortizations commissions	13,710	14,487
Value as at 31 December	<u>15,083,035</u>	<u>14,064,225</u>



Urbanic Netherlands I C.V. obtained loans from ING Bank N.V. The loans are secured by mortgage on its portfolio of properties and a lien on the rental income from the said properties. All loans mature on October 1, 2024 and carries a fixed interest rate varying from 2.65% to 3.2% respectively a variable interest rate of the three months' Euribor rate increased by 2.4% to 2.7%. The mortgage loan will become payable on demand when the underlying investment property has been sold.

**4.8 Notes to the financial statements (profit and loss account)****4.8.1 Interest and other finance expenses**

	<b>2022</b>		<b>2021</b>	
	€	€	€	€
Interest and other finance expenses		<u>450,191</u>		<u>430,549</u>
Interest fixed	285,439		288,098	
Interest variable	149,398		121,189	
Amortizations cap. mortgage commissions	13,710		14,487	
Bank charges	612		684	
Other finance costs	<u>1,032</u>		<u>6,091</u>	
Total		<u>450,191</u>		<u>430,549</u>

**4.8.2 Direct real estate costs**

	<b>2022</b>		<b>2021</b>	
	€	€	€	€
Direct real estate costs		<u>293,390</u>		<u>288,910</u>
Maintenance	56,251		75,495	
Dotation provision maintenance	21,785		21,227	
Owners' association	41,424		34,370	
Insurance expenses	9,972		1,465	
Municipal and other taxes	39,510		43,501	
Property manager	108,923		106,133	
Other direct real estate costs	<u>15,525</u>		<u>6,719</u>	
Total		<u>293,390</u>		<u>288,910</u>

**4.8.3 Fund expenses**

	<b>2022</b>		<b>2021</b>	
	€	€	€	€
Fund expenses		<u>37,403</u>		<u>26,535</u>
Administration	14,815		10,120	
Auditor	12,100		16,940	
Legal advice	1,177		-525	
Depositary	9,311		-	
Other professional fees	<u>-</u>		<u>-</u>	
Total		<u>37,403</u>		<u>26,535</u>

#### **4.8.4 Taxation**

Urbanic Netherlands I C.V. ('the fund') is legally established as a limited partnership. Since the limited partnership agreement stipulates that the transfer of participations in the fund requires the approval of all other participants as well as the General partner, the fund is a closed limited partnership. A closed partnership is transparent for Dutch corporate income tax purposes. Consequently, the fund itself is not subject to Dutch corporate income tax.

#### **4.8.5 Employees**

The fund did not employ any personnel during the reporting period (2021: nil).

#### **4.8.6 Subsequent events**

Reference is made to the subsequent events section in the Report of the General Partner.

#### **4.8.7 Off-balance sheet assets and liabilities**

##### ***Rental agreements***

The investment properties are generally rented to a group of friends who choose to share their home and life for a longer period of time. The target group consists mainly of well-educated young professionals between 20 and 35 years.

Rental contracts will include an annual rent adjustment clause allowing rent increases equal to inflation plus a mark-up of at least 1%. Where pre let properties are acquired different rent increase clauses may apply.

##### ***Performance fee***

Urbanic BV, the Fund Manager, is entitled to a Performance Fee at the end of the Fund Life. The Performance Fee equals to 20% of the total return in excess of an internal rate of return of 5% without catch-up. Total return, net of all fees and costs, is calculated as the total distributions to the limited partners in excess of the equity provided.

##### ***Leasehold***

Investment properties may be located on freehold or leasehold land. In cases where investment properties are located on leasehold land the fund as the leaseholder pays an amount to the owner of the land, the so-called ground rent. Some municipalities offer the possibility to buy off the leasehold for a longer term, for example 50 years.

#### **4.8.8 Major risk factors**

##### ***Risk management***

The Fund invested in 45 properties, consisting of 71 rentable units. The properties are located in Amsterdam (8), The Hague (1) and Rotterdam (36). All properties are currently fully let however there is a risk that if for any reason one or more leases (whether early or otherwise) terminate during the Fund's term, the units cannot be let or can only be let on less favourable or unfavourable terms. The value of the Fund's investments will be affected by these risks with the result that the net asset value of the Fund may fall. The risks that may affect the value of the investment in which the Fund invests are detailed below.

##### ***Letting and operating risk***

If a lease expires, the tenant(s) may decide to move elsewhere. A tenant may also run into payment problems or go bankrupt, or a lease may end by giving notice. When a lease ends, a new tenant will be sought as soon as possible. Unless a new tenant is found, the termination of a lease may lead to lower rental income, to a lower (sales) value of the property (unit) and therefore to a negative effect on the return to be achieved for the limited partners.

**Market value risk**

The market value when a property investment is sold is highly dependent on current and future market conditions and macroeconomic developments therein. If the market value decreases, this will be able to have a negative impact on the value of the investment which may result in the loss of all or part of the capital invested by the limited partners. The mortgage financing is an essential part of this product. Negative value movements may therefore have an amplified effect on the Fund's results.

**Financial instruments**General

In the normal course of business, the Fund uses a variety of financial instruments that expose it to market risk including rental and operating risk, market value risk, credit risk, interest rate risk and liquidity risk. To manage these risks, the Manager has implemented a policy including a system of limits and procedures to mitigate the risks of unpredictable adverse developments in the financial markets and hence the financial performance of the Fund.

Credit risk

The Fund is exposed to credit risk on outstanding receivables. The receivables from rents yet to be received may arise from one or more tenants. Rents are contractually invoiced monthly in advance.

Liquidity risk

Liquidity risk is the risk that the Fund has insufficient liquidity available to meet its financial obligations. The principles of liquidity risk management are that adequate liquidity is held as far as possible to meet current and future financial obligations, in normal and difficult circumstances, and without incurring unacceptable losses by the Fund or jeopardising the Fund's reputation. The liquidity risks are monitored monthly by the Fund Manager and consist of maintaining sufficient liquidity in order to meet repayment and interest obligations and other short-term financial liabilities.

**4.9 Other notes to the financial statements****4.9.1 Fund fees to service providers**

The schedule below shows the various fees the investment fund paid gross during the financial year.

		2022		2021	
		€		€	
<b>Service provider</b>					
Construction Guidance Fees	B/S	-		13,728	
Asset Management Fees	B/S	-		-	
Fund Management Fees	P/L	159,370		150,532	
Property Services Fees	P/L	108,923		106,133	
Depositary Services Fees	P/L	9,311		-	

**4.9.2 Expenses in relation to average intrinsic value**

Costs of the funds in relation to the average intrinsic value are:

Expenses/average intrinsic value	2022		2023	
	€	%	€	%
Interest and other finance expenses	450,191	4.08%	430,549	4.05%
Direct real estate costs	293,390	2.66%	288,910	2.72%
Fund expenses	37,403	0.33%	26,535	0.25%
Fund manager fee	159,370	1.44%	150,532	1.41%
Amortization set-up expenses	2,719	0.02%	4,421	0.04%
Average intrinsic value/total %	11,019,359	8.53%	10,639,480	8.47%

### 4.9.3 Fund Key Performance Indicators

Key Performance Indicators (KPI's) are measurable values that demonstrates how effectively the Fund is in achieving its key business objectives, which are described in the Information Memorandum of the Fund. In the matrix below we take pleasure in outlining the main Funds KPI's:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cost value of real estate	26,976,816	26,836,088
Loan amount	15,427,935	15,759,125
Loan to cost	57.19%	58.72%
Average gross yield (i)	8.08%	7.91%
Average net yield (ii)	6.99%	6.83%
Number of properties	45	45
Number of rentable units:		
Residential	71	71
Shops	-	-
Net rentable area (m2)	7,650	7,650
Vacancy rate	0.93%	0.22%

i Annual rent (P/L) / property investments (B/S)

ii Sum annual rent less direct real estate costs (P/L) / property investments (B/S)

Loan-to-Value and Debt Yield: during the financial year Urbanic Netherlands I CV has met the LTV- and DY-criteria which the lender required.

### 4.9.4 Intrinsic value participations

Urbanic Netherlands I C.V. is a so-called Dutch closed-end investment fund. Participations are non-tradable on the free market; a transfer is solely allowed with the approval of all other participants as well as the General partner. In view of this the investment fund is transparent for Dutch corporate tax purposes.

In anticipation of legislation that in the near future may apply, the management will reflect the intrinsic value per participation in the scheme outlined below. For completeness sake we note that 'intrinsic value' and the method to determine this value have not been defined in the law.

The fund manager is of the opinion that during the lifetime of the fund the property investments can be valued at historical costs, unless there is a permanent depreciation ('impairment') of the property, and this method is valid to determine the intrinsic value of net assets and annual net profit attributable to the partners.

The intrinsic value and net profit per participation are shown below.

	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Set-up costs	186	2,905	7,325
Property investments	26,976,816	26,836,088	27,176,125
Receivables	500	2,712	-
Cash and cash equivalents	402,094	429,373	286,724
<b>Assets</b>	<b>27,379,596</b>	<b>27,271,078</b>	<b>27,470,174</b>
Provisions	-46,561	-39,599	-20,595
Liabilities (long-term)	-15,083,035	-14,064,225	-15,962,638
Liabilities (short-term)	-1,012,315	-2,366,221	-1,009,014
<b>Net assets participants</b>	<b><u>11,237,685</u></b>	<b><u>10,801,033</u></b>	<b><u>10,477,927</u></b>

**URBANIC NETHERLANDS I C.V.**

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Participations fund	96	96	96
Intrinsic value per participation Nominal € 100,000:	117,059	112,511	109,145
Commercial profit	1,236,653	1,243,106	1,104,276
Commercial profit per participant	12,882	12,949	11,503

The property investments are periodically revalued by the third-party financier of the long-term loans on the basis of their valuation models, and at least once every three years on the basis of reports of third-party appraisers. Valuation in these cases is at fair market value.

The property investments are measured at cost, including transaction costs and impairment losses. Impairment losses, if any, are based on the aforementioned valuation reports.

#### 4.9.5 Comparison Investment Memorandum estimation and actual costs

Please find outlined below a comparison between the estimated costs as per estimation in the Investment Memorandum ('IM') and the actual costs incurred during the financial year.

Information Investment Memorandum	According to Investment Memorandum		Financial statements	Difference IM / actual %
	Base	Estimation €	Actual €	
Vacancy 2% of estimated revenues		2.0%	0.93%	-53.50%
Fund formation costs	€ 50K - € 75K	67,500	22,141	-67.20%
Project costs 5.45% incl. VAT of the anticipated total renovation costs	-	-	-	-
Direct rental costs (15% - 20% of gross rental revenues)				
Gross rental revenues	€ 2,178,461			
Direct rental costs as per IM	15.0%	326,769	293,390	-10.21%
Real estate management fees				
Gross rental revenues	€ 2,178,461			
5% including VAT	5%	108,923	108,923	-
Portfolio fees 0.6% of the acquisition costs as per Rental and Completion Reports	0.6%			
Acquisition costs	€ 27,106,258	162,638	159,370	-2.01%
Financing costs of 3.5% over the loan	3.5%			
Average mortgage loans	€ 15.593,530	545,774	448,547	-17.81%

Direct rental costs includes maintenance, real estate taxes, costs of the society of owner, insurances, real estate property management and other (extra-ordinary) exploitation costs.

Financing costs included mortgage interest and bank fees amortized over the term of the loan.

#### 4.9.6 Outsourcing and other agreements

Urbanic Netherlands I CV concluded outsourcing agreement with the following counterparties:

Outsourcing partner	Agreement	Type of services
FlinQ Vastgoed BV	Real Estate Management Agreement	<ul style="list-style-type: none"> <li>▪ Construction guidance</li> <li>▪ Technical, commercial and administrative management</li> </ul>
Vistra Depository Services BV	Master Depository Services Agreement	<ul style="list-style-type: none"> <li>▪ act as Depository of Urbanic Netherlands I CV</li> <li>▪ Depository functions and duties</li> </ul>
Charco & Dique	Agreement re outsourcing of the compliance function	<ul style="list-style-type: none"> <li>▪ Monitoring effectiveness of internal compliance activities</li> <li>▪ Reporting on amendment of legal framework</li> <li>▪ General advice on compliance and control measures</li> </ul>

#### **4.9.7 Related party transactions**

Parties are considered related when one party can exercise control or significant influence over the other party in deciding financial or operational matters. The related party of the fund manager is FlinQ Vastgoed BV.

The transactions carried out with this related party took place at arm's length. This means that the transactions have involved market-based prices. These transactions relate to:

Technical, commercial and administrative management: € 108.923 (11.55% of total cost)(2021: € 106.133 / 11.78%).

#### **4.9.8 One-off cost payments by participants**

Participants in the investment fund did not pay any one-off costs during the financial year in relation to the acceptance of their participation.

Amsterdam, 19 May, 2023

General Partner of Urbanic Netherlands I C.V.

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Urbanic Netherlands I B.V.,  
On its behalf Urbanic B.V.  
On its behalf A.P. Bakker, Managing Director



## **5. Other information**

### **5.1 Provisions of profits and losses in the Limited Partnership Agreement**

The Limited Partnership Agreement is an integral part of the Information Memorandum. According to article 8 of the Limited Partnership Agreement profit and losses are at the free disposal of the General Partners Meeting as per the following statutory regulations:

1. The profits and losses of the Limited Partnership shall be calculated in accordance with Dutch generally accepted accounting principles, unless the Limited Partners agree otherwise by unanimous prior written consent;
2. The profits of the Limited Partnership, if any, shall be allocated to the general reserves of the Limited Partnership. Allocations to the Limited Partners shall only be made after the debit balances of the Limited Partnership resulting from losses incurred by the Limited Partnership in previous financial years have been restored;
3. The profits shall be pro rata allocated to each of the Limited Partners capital account.

## **INDEPENDENT AUDITOR'S REPORT**

To: the participant and the managing partner of Urbanic Netherlands I c.v.

### **Report on the audit of the financial statements 2022 included in the annual report**

#### **Our opinion**

We have audited the financial statements 2022 Urbanic Netherlands I c.v. based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Urbanic Netherlands I c.v. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Dutch Accountant Standard 615 regarding investment entities.

The financial statements comprise:

1. the balance sheet as at 31 December 2022;
2. the profit and loss account for 2022; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

#### **Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards of Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Urbanic Netherlands I c.v. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the managing partner;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.



We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report of Urbanic Netherlands I B.V. in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

### **Description of responsibilities regarding the financial statements**

#### **Responsibilities of the manager and for the financial statements**

The manager of the investment entity is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the manager of the investment entity is responsible for such internal control as the manager of the investment entity determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the manager of the investment entity is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the manager of the investment entity should prepare the financial statements using the going concern basis of accounting, unless the manager of the investment entity either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The manager of the investment entity should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

#### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- obtaining 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 investment entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager of the investment entity;
- concluding 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 a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 findings in internal control that we identify during our audit.

Zaandam, 19 May 2023

Sgd P.A. Bankersen RA