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***K/S AG-NREP***  
***Udlejningsboliger***

Southamptongade 4, DK-2150 Nordhavn

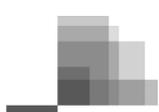
**Annual Report for 1 January - 31  
December 2022**

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CVR No 37 97 48 38

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
15/6 2023

Mark Raine  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Consolidated and Parent Company Financial Statements</b>	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Cash Flow Statement 1 January - 31 December	12
Notes to the Financial Statements	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of K/S AG-NREP Udlejningsboliger for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 15 June 2023

## Executive Board

Jakob Flymer  
CEO of Komplementarselskabet  
AG-NREP Udlejningsboliger ApS

## Board of Directors

Rune Højby Kock  
Chairman

Stine Seneberg

Thomas Ebbe Riise-Jakobsen

Henrik Skak Bender

# Independent Auditor's Report

To the limited partners of K/S AG-NREP Udlejningsboliger

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of K/S AG-NREP Udlejningsboliger for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

# Independent Auditor's Report

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

# Independent Auditor's Report

may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 15 June 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Mikael Johansen  
statsautoriseret revisor  
mne23318

Kristian Rath  
statsautoriseret revisor  
mne42817

## Company Information

### The Company

K/S AG-NREP Udlejningsboliger  
Southamptongade 4  
DK-2150 Nordhavn

CVR No: 37 97 48 38

Financial period: 1 January - 31 December

Incorporated: 31 August 2016

Financial year: 6th financial year

Municipality of reg. office: Copenhagen

### Board of Directors

Rune Højby Kock , Chairman  
Stine Seneberg  
Thomas Ebbe Riise-Jakobsen  
Henrik Skak Bender

### Executive Board

Jakob Flymer

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### Bankers

Danske Bank  
Lersø Parkallé 100, 2100 København Ø

## Financial Highlights

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

	<b>Group</b>			
	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK
<b>Key figures</b>				
<b>Profit/loss</b>				
Gross profit/loss	394,859	467,125	222,707	218,224
Operating profit/loss	24,587	467,125	222,707	218,224
Profit/loss before financial income and expenses	394,859	467,125	222,707	218,224
Net financials	-13,733	-30,972	-35,951	-28,868
Net profit/loss for the year	380,618	338,385	145,632	147,633
<b>Balance sheet</b>				
Balance sheet total	177,955	3,134,922	2,780,886	2,516,630
Equity	26,176	911,417	626,168	582,356
<b>Cash flows</b>				
Cash flows from:				
- operating activities	-36,578	35,530	32,256	-65,277
- investing activities	3,025,239	-1,946	-44,869	-471,621
including investment in property, plant and equipment	-282	-1,946	-44,869	-471,683
- financing activities	-3,013,519	-82,857	79,769	453,035
Change in cash and cash equivalents for the year	-24,858	-49,273	67,156	-83,863
<b>Ratios</b>				
Return on assets	221.9%	14.9%	8.0%	8.7%
Solvency ratio	14.7%	29.1%	22.5%	23.1%
Return on equity	81.2%	44.0%	24.1%	29.0%

# Management's Review

## Key activities

The Company's key activity is to own shares in property development companies.

The Group's main activity is to develop and rent investment properties.

## Development in the year

The income statement of the Group for 2022 shows a profit of TDKK 380,618, and at 31 December 2022 the balance sheet of the Group shows equity of TDKK 26,176.

## The past year and follow-up on development expectations from last year

The profit of the year significantly exceeds the expectations from last year. The deviation is caused by the sale of 4 subsidiaries implying a higher than foreseen market value of the investment properties included in the sale.

## Targets and expectations for the year ahead

For 2023, a result of around DKK 1 million excluding effects of fair value adjustments is expected.

## Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## Unusual events

The financial position at 31 December 2022 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022 have not been affected by any unusual events.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>Gross profit/loss before value adjustments</b>		<b>388,783</b>	<b>71,071</b>	<b>-2,905</b>	<b>-220</b>
Value adjustments of assets held for investment		6,076	396,054	0	0
<b>Gross profit/loss</b>		<b>394,859</b>	<b>467,125</b>	<b>-2,905</b>	<b>-220</b>
<b>Profit/loss before financial income and expenses</b>	2	<b>394,859</b>	<b>467,125</b>	<b>-2,905</b>	<b>-220</b>
Income from investments in subsidiaries		0	0	982,646	73,401
Financial income	3	2,427	1	167	6
Financial expenses	4	-16,160	-30,973	-110	-47
<b>Profit/loss before tax</b>		<b>381,126</b>	<b>436,153</b>	<b>979,798</b>	<b>73,140</b>
Tax on profit/loss for the year	5	-508	-97,768	0	0
<b>Net profit/loss for the year</b>		<b>380,618</b>	<b>338,385</b>	<b>979,798</b>	<b>73,140</b>

# Balance Sheet 31 December

## Assets

	Note	Group		Parent Company	
		2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
Investment properties		140,359	3,066,000	0	0
<b>Property, plant and equipment</b>	6	<b>140,359</b>	<b>3,066,000</b>	<b>0</b>	<b>0</b>
Investments in subsidiaries	7	0	0	10,550	299,339
<b>Fixed asset investments</b>		<b>0</b>	<b>0</b>	<b>10,550</b>	<b>299,339</b>
<b>Fixed assets</b>		<b>140,359</b>	<b>3,066,000</b>	<b>10,550</b>	<b>299,339</b>
Trade receivables		456	1,071	0	0
Receivables from group enterprises		0	0	778	761
Other receivables		128	5,509	0	17
Prepayments	8	17	489	0	0
<b>Receivables</b>		<b>601</b>	<b>7,069</b>	<b>778</b>	<b>778</b>
<b>Cash at bank and in hand</b>		<b>36,995</b>	<b>61,853</b>	<b>35,212</b>	<b>3,659</b>
<b>Currents assets</b>		<b>37,596</b>	<b>68,922</b>	<b>35,990</b>	<b>4,437</b>
<b>Assets</b>		<b>177,955</b>	<b>3,134,922</b>	<b>46,540</b>	<b>303,776</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		Parent Company	
		2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
Share capital		10,429	10,429	10,429	10,429
Reserve for hedging transactions		0	2,256	0	0
Retained earnings		15,747	898,732	9,250	293,054
<b>Equity</b>		<b>26,176</b>	<b>911,417</b>	<b>19,679</b>	<b>303,483</b>
Provision for deferred tax	10	1,881	279,130	0	0
<b>Provisions</b>		<b>1,881</b>	<b>279,130</b>	<b>0</b>	<b>0</b>
Subordinate loan capital		40,799	127,006	0	0
Mortgage loans		78,159	1,711,830	0	0
Other payables		0	5,436	0	0
<b>Long-term debt</b>	11	<b>118,958</b>	<b>1,844,272</b>	<b>0</b>	<b>0</b>
Mortgage loans	11	1,450	31,492	0	0
Prepayments received from customers		422	9,868	0	0
Trade payables		656	24,274	2	260
Corporation tax		0	2,950	0	0
Deposits		1,378	29,293	0	0
Other payables	11	27,034	2,226	26,859	33
<b>Short-term debt</b>		<b>30,940</b>	<b>100,103</b>	<b>26,861</b>	<b>293</b>
<b>Debt</b>		<b>149,898</b>	<b>1,944,375</b>	<b>26,861</b>	<b>293</b>
<b>Liabilities and equity</b>		<b>177,955</b>	<b>3,134,922</b>	<b>46,540</b>	<b>303,776</b>
Distribution of profit	9				
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Subsequent events	16				
Accounting Policies	17				

## Statement of Changes in Equity

### Group

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	10,429	2,256	898,733	911,418
Extraordinary dividend paid	0	0	-1,263,604	-1,263,604
Disposal of hedging instruments	0	-2,256	0	-2,256
Net profit/loss for the year	0	0	380,618	380,618
<b>Equity at 31 December</b>	<b>10,429</b>	<b>0</b>	<b>15,747</b>	<b>26,176</b>

### Parent Company

Equity at 1 January	10,429	0	293,056	303,485
Extraordinary dividend paid	0	0	-1,263,604	-1,263,604
Net profit/loss for the year	0	0	979,798	979,798
<b>Equity at 31 December</b>	<b>10,429</b>	<b>0</b>	<b>9,250</b>	<b>19,679</b>

## Cash Flow Statement 1 January - 31 December

	Note	Group	
		2022 TDKK	2021 TDKK
Net profit/loss for the year		380,618	338,385
Adjustments	12	-362,107	-267,314
Change in working capital	13	-38,408	-2,944
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-19,897</b>	<b>68,127</b>
Financial income		2,427	1
Financial expenses		-16,158	-30,970
<b>Cash flows from ordinary activities</b>		<b>-33,628</b>	<b>37,158</b>
Corporation tax paid		-2,950	-1,628
<b>Cash flows from operating activities</b>		<b>-36,578</b>	<b>35,530</b>
Purchase of property, plant and equipment		-282	-1,946
Sale of property, plant and equipment		3,025,521	0
<b>Cash flows from investing activities</b>		<b>3,025,239</b>	<b>-1,946</b>
Repayment of mortgage loans		-1,663,708	-31,208
Repayment of other long-term debt		-86,207	0
Raising of other long-term debt		0	5,351
Dividend paid		-1,263,604	-57,000
<b>Cash flows from financing activities</b>		<b>-3,013,519</b>	<b>-82,857</b>
<b>Change in cash and cash equivalents</b>		<b>-24,858</b>	<b>-49,273</b>
Cash and cash equivalents at 1 January		61,853	111,126
<b>Cash and cash equivalents at 31 December</b>		<b>36,995</b>	<b>61,853</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		36,995	61,853
<b>Cash and cash equivalents at 31 December</b>		<b>36,995</b>	<b>61,853</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>1 Staff expenses</b>				
<b>Average number of employees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2 Special items</b>				
Profit on sale of fixed assets	370,272	0	0	0
	<b>370,272</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3 Financial income</b>				
Interest received from group enterprises	0	0	17	6
Other financial income	2,427	1	150	0
	<b>2,427</b>	<b>1</b>	<b>167</b>	<b>6</b>
<b>4 Financial expenses</b>				
Interest paid to group enterprises	4,547	14,350	0	34
Other financial expenses	11,613	16,623	110	13
	<b>16,160</b>	<b>30,973</b>	<b>110</b>	<b>47</b>

## Notes to the Financial Statements

	Group		Parent Company	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>5 Tax on profit/loss for the year</b>				
Current tax for the year	0	2,833	0	0
Deferred tax for the year	346	94,270	0	0
Adjustment of tax concerning previous years	162	866	0	0
Adjustment of deferred tax concerning previous years	0	889	0	0
	<b>508</b>	<b>98,858</b>	<b>0</b>	<b>0</b>
which breaks down as follows:				
Tax on profit/loss for the year	508	97,768	0	0
Tax on changes in equity	0	1,090	0	0
	<b>508</b>	<b>98,858</b>	<b>0</b>	<b>0</b>

# Notes to the Financial Statements

## 6 Assets measured at fair value

	<b>Group</b>
	Investment pro- perties
	TDKK
Cost at 1 January	1,865,259
Additions for the year	282
Disposals for the year	-1,748,841
Cost at 31 December	<u>116,700</u>
Value adjustments at 1 January	1,200,741
Revaluations for the year	6,076
Reversal of revaluations of sold assets	-1,183,158
Value adjustments at 31 December	<u>23,659</u>
<b>Carrying amount at 31 December</b>	<b><u>140,359</u></b>

### Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The determination of fair value is based on a DCF model, and Management uses accounting estimates when determining the fair value. The use of accounting estimates implies that the statement of fair value is subject to some uncertainty. The fair value is stated based on assumptions that Management considers probable and realistic. Management reassesses assumptions on a current basis, and any changes to the assumptions are reflected in the fair value. The key assumptions applied when determining the fair value are stated below:

	<b>Group</b>	
	2022	2021
	TDKK	TDKK
The fair value of investment properties amounts to	140,359	3,066,000
Value adjustment, income statement	6,076	396,054
Average WACC	5.63%	5.18% - 5.44%
Exit yield	3.63%	3.18% - 3.44%

## Notes to the Financial Statements

	<b>Parent Company</b>	
	2022	2021
	TDKK	TDKK
<b>7 Investments in subsidiaries</b>		
Cost at 1 January	299,339	299,339
Disposals for the year	-288,789	0
Cost at 31 December	<u>10,550</u>	<u>299,339</u>
Value adjustments at 1 January	0	-10,401
Reversals for the year of revaluations in previous years	0	10,401
Value adjustments at 31 December	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>10,550</u></b>	<b><u>299,339</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
AG-NREP					
Udlejningsboliger BF 1.5 Holding ApS	Copenhagen	745	100%	7,107	-101

## 8 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and subscriptions etc.

	<b>Parent Company</b>	
	2022	2021
	TDKK	TDKK
<b>9 Distribution of profit</b>		
Extraordinary dividend paid	1,263,604	57,000
Retained earnings	-283,806	16,140
	<b><u>979,798</u></b>	<b><u>73,140</u></b>

# Notes to the Financial Statements

	Group		Parent Company	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>10 Provision for deferred tax</b>				
Provision for deferred tax at 1 January	279,130	183,971	0	0
Amounts recognised in the income statement for the year	346	95,159	0	0
Amounts related to sale of entities	-277,595	0	0	0
<b>Provision for deferred tax at 31 December</b>	<b>1,881</b>	<b>279,130</b>	<b>0</b>	<b>0</b>

## 11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

### Subordinate loan capital

After 5 years	0	127,006	0	0
Between 1 and 5 years	40,799	0	0	0
Long-term part	40,799	127,006	0	0
Within 1 year	0	0	0	0
	<b>40,799</b>	<b>127,006</b>	<b>0</b>	<b>0</b>

### Mortgage loans

After 5 years	66,965	1,577,570	0	0
Between 1 and 5 years	11,194	134,260	0	0
Long-term part	78,159	1,711,830	0	0
Within 1 year	1,450	31,492	0	0
	<b>79,609</b>	<b>1,743,322</b>	<b>0</b>	<b>0</b>

### Other payables

After 5 years	0	3,106	0	0
Between 1 and 5 years	0	2,330	0	0
Long-term part	0	5,436	0	0
Within 1 year	0	1,553	0	0
Other short-term payables	27,034	673	26,859	33
Short-term part	27,034	2,226	26,859	33
	<b>27,034</b>	<b>7,662</b>	<b>26,859</b>	<b>33</b>

## Notes to the Financial Statements

	<b>Group</b>	
	2022 TDKK	2021 TDKK
<b>12 Cash flow statement - adjustments</b>		
Financial income	-2,427	-1
Financial expenses	16,160	30,973
Fair value adjustments/profit on sale of fixed assets	-376,348	-396,054
Tax on profit/loss for the year	508	97,768
	<b>-362,107</b>	<b>-267,314</b>
<b>13 Cash flow statement - change in working capital</b>		
Change in receivables	6,470	-5,319
Change in trade payables, etc	-44,878	-2,578
Fair value adjustments of hedging instruments	0	4,953
	<b>-38,408</b>	<b>-2,944</b>

	<b>Group</b>		<b>Parent Company</b>	
	2022 TDKK	2021 TDKK	2022 TDKK	2021 TDKK
<b>14 Contingent assets, liabilities and other financial obligations</b>				

### Charges and security

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

Investment properties with a carrying amount of	140,359	3,066,000	0	0
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### Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Komplementarselskabet NSF II Denmark ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 15 Related parties

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions have occurred.

## 16 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of K/S AG-NREP Udlejningsboliger for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in TDKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, K/S AG-NREP Udlejningsboliger, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Hedge accounting**

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in a separate reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

## **Income Statement**

### **Revenue**

Revenue from rental income is recognised in the income statement at amounts relating to the financial year when revenue can be measured reliably and it is probable that the economic benefits will flow to the Company. Revenue is recognised exclusive of VAT and net of discounts.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### **Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## Balance Sheet

### Investment properties

Investment properties constitute land and buildings held to earn a return on the invested capital by way of current operating income and/or capital appreciation on sale.

On acquisition investment properties are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed investment properties comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

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

Fair value is the amount for which the property could be exchanged between knowledgeable, willing par-

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

ties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

### **Investments in subsidiaries**

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### **Prepayments**

Prepayments comprise prepaid expenses concerning insurance premiums, subscriptions etc.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

### Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

### Financial Highlights

#### Explanation of financial ratios

## Notes to the Financial Statements

### 17 Accounting Policies (continued)

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$