Collectia A/S

Abildager 11, DK-2605 Brøndby

Annual Report for 1 January - 31 December 2021

CVR No 20 01 53 81

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 /7 2022

Christian la Cour Valentin
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Collectia A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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

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

Brøndby, 7 July 2022

Executive Board

Christian la Cour Valentin
CEO

Board of Directors

Jesper Gunni Winther	Martin Høy	Christian la Cour Valentin

Independent Auditor's Report

To the Shareholder of Collectia A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Collectia A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of 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 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and 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.

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, 7 July 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Josephine Kilsgaard Holm
State Authorised Public Accountant
mne44114

Company Information

The Company	Collectia A/S Abildager 11 DK-2605 Brøndby Telephone: + 45 77301400 Facsimile: + 45 77301425 Website: www.collectia.dk CVR No: 20 01 53 81 Financial period: 1 January - 31 December Incorporated: 1 January 1997 Financial year: 25th financial year Municipality of reg. office: Brøndby
Board of Directors	Jesper Gunni Winther Martin Høy Christian la Cour Valentin
Executive Board	Christian la Cour Valentin
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-DK 2900 Hellerup

Financial Highlights

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

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	111.794	90.355	133.363	75.734	54.846
Profit/loss before financial income and expenses	32.321	43.982	85.500	37.367	27.756
Net financials	21.086	331	-1.665	-2.443	-611
Net profit/loss for the year	45.920	35.079	64.902	26.915	20.999
Balance sheet					
Balance sheet total	574.521	389.762	292.576	231.486	138.646
Equity	248.720	188.763	147.611	82.710	55.795
Investment in property, plant and equipment	1.565	1.067	35	1.441	978
Number of employees	145	96	113	110	67
Ratios					
Return on assets	5,6%	11,3%	29,2%	16,1%	20,0%
Solvency ratio	43,3%	48,4%	50,5%	35,7%	40,2%
Return on equity	21,0%	20,9%	56,4%	38,9%	32,2%

Due to changes in accounting policies and merger between Collectia A/S and Kredinor A/S, financial figures from 2019 has been adjusted. The financial years 2017-2018 has not been adjusted consequently.

Management's Review

Key activities

Collectia Group is an IT company, which specialises in credit management services. Collectia Group is one of the industry leading players in Denmark and offers services in outsourcing of debt management, debt collection and debt purchase. The business model is based on a superior proprietary IT-platform which to a large extent has been developed internally capitalising on the extensive knowledge and experience which has been build up over many years of operation in the industry. The IT-platform optimises and automates the collection process through handling and analysis of data, which through applying AI, can be tailored to approach the specific customer in the most efficient and optimal manner. The Group has for years invested heavily in structuring data, developing business intelligence and innovative and digital payment solutions as it is management's belief that automation, optimisation and AI are cornerstones in being successful in this industry and continuous investments in the proprietary IT-platform are necessary to maintain an edge over the competitors for the benefit of the Group's clients.

Today, Collectia Group serves approximately 13,000 clients groupwide, including several of Denmark's largest businesses within the fields of telecom, insurance, utility, media, parking, fitness and banking which makes it one of Denmark's largest debt collection companies, with local presence in Norway, Sweden, Germany and Finland.

The Group has more than 150 years of experience in the industry and it is the distinct aim of the Group to provide a professional, ethical and high quality treatment of the customers' collection cases. Collectia Group works in accordance with its six values; respect, passion, honesty, excellence, innovation and fun. These values define what Collectia Group is about and how the employees should act towards our customers and clients.

Collectia Group also maintains a Financial Crime and Compliance Policy covering the entire Group. The policy describes in detail the behaviour which is expected by the employees in order to secure that business is carried out applying decent and honest business practices and above all, by respecting applicable local laws and regulations in all countries where Collectia Group operates. It is essential to the owners and Management that the Group carries out its business respecting ethical responsibility, a healthy work environment and human rights. The policy has been prepared in several languages in order to ensure proper anchoring with all employees.

Specialities

Invoicing, debt & credit management, reminder service, debt collection, legal collection, consulting, billing service, factoring, credit scoring and IT services

Development in the year

The income statement of the Company for 2021 shows a profit of DKK 45,919,986, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 248,720,066.

Management's Review

The Company has at 1 January 2021 merged with the newly acquired subsidiary Kredinor A/S. Collectia A/S acquired 100% ownership of Kredinor A/S on 31 March 2021.

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

Management considers the result achieved to be satisfactory especially considering that the corona pandemic impacted a number of industries which the Group serves. The increase in revenue was driven by new customers and demonstrates the Group's ability to act under difficult market conditions.

Management has also made a deliberate decision to continue to invest in personnel during the pandemic, not least in IT personnel to ensure the continued development and superiority of the proprietary IT system. In addition, the financial year also saw improved operational earnings despite having taken on more costs from the acquired companies.

Operating risks

Management regularly considers to which degree the Group is subject to operational risks and acts accordingly with implementing necessary measures and policies.

Management views IT security, Information security (GDPR) and reputational risk to be areas where the group could be exposed. However; through a combination of awareness, policies and actions, Management believes that operational disturbance would be limited and of a short term nature. Management has however during the financial year invested in especially IT security and believes that such pre-emptive measures are the best strategy to avoid operational disruption.

Foreign exchange risks

Collectia operates in four currencies, EUR, DKK, SEK, and NOK. DKK is tied to the EUR through an official monetary collaboration, which means that there is little exchange risk as long as this collaboration continues. The SEK and NOK currencies are a bit more volatile, however the Group's operations in Norway and Sweden are still limited and the local presence also provides a high degree of natural hedging through a balanced cost structure

Management's Review

Liquidity risks

The Group is dependent on having access to loan credits from banks, however; the financing package rests on a longer term relationship with various banks and financing institutions and the operational cash generation is positive month on month. Further funding is only needed when making business expanding investments and the senior facility agreement in place provides access to such funding on already agreed terms. Consequently, management believes that the liquidity risks associated with general operations are low.

The senior debt package is subject to certain loan covenants which the Group is required to comply with. The group prepares specific covenant reporting to the financing banks on a quarterly basis and maintains a covenant forecast model which enables Management to preserve sufficient headroom to the threshold of such covenants. The Group has throughout financial year 2021 complied with all covenants and demonstrated considerable headroom and this has continued after the end of the financial year. Based on forecasts it is management's expectation that the considerable headroom will be expanded going forward.

Intellectual capital resources

We invest in our employees both in a continuous internal and external training and education, and we invest in attracting new relevant staff.

Targets and expectations for the year ahead

Collectia is well positioned and expects to continue the organic growth and earnings seen before the Corona pandemic. The expectation is that the group will take market share based on a very positive feedback from the market combined with an improved proprietary IT-platform which enables the Group to perform better than its peers. The combination of high customer satisfaction, the sales pipeline together with our automated, digitalized solutions and our very passionate employees, we expect to grow significantly in 2022. The aim is a an revenue growth rate from financial year 2021 of 10% - 20%.

The Group's efforts to expand has led to the acquisition of several companies adding some DKK 80m in revenue and where significant cost synergies are expected to be realised in the longer term. Such synergies will to a large degree crystallise in financial year 2022 and it is difficult to estimate the exact effect.

The Group also continues to acquire portfolios through forward flow contracts which will add revenue and profits to financial year 2022.

Research and development

Collectia will continue to invest in developing our business especially within IT, big data and AI to support the ambitious growth plans of the Group.

Management's Review

External environment

Due to the nature of the business Collectia Group has a very low impact on the external environment and has sought to reduce the carbon footprint by installing solar cells on the office building roof in Denmark. Collectia Group has also made an effort to be paperless which in essence has been achieved through the investments made in the IT-platform.

The Group has in financial year 2021 increased its focus on ESG and specific reporting and targets have been approved by the board. In addition to this Collectia Group has engaged with its client Xplora in the carbon neutral city project in Lebanon where the distinct aim is to make a whole city carbon neutral through building the infrastructure to do so. This is a large scale project which is part of the UN's goal of building infrastructure and supply green energy to 10.000 cities by year 2030.

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	2021	2020
		DKK	DKK
Gross profit/loss		**111.794.398**	**90.355.368**
Staff expenses	2	-67.254.214	-41.340.253
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-12.219.670	-5.032.856
Profit/loss before financial income and expenses		**32.320.514**	**43.982.259**
Income from investments in subsidiaries		19.510.625	0
Financial income	3	15.436.888	8.624.038
Financial expenses	4	-13.861.774	-8.292.936
Profit/loss before tax		**53.406.253**	**44.313.361**
Tax on profit/loss for the year	5	-7.486.267	-9.234.626
Net profit/loss for the year		**45.919.986**	**35.078.735**

Balance Sheet 31 December

Assets

	Note	2021	2020
		DKK	DKK
Completed development projects		36.081.902	28.545.817
Software		668.159	689.418
Customer contracts		23.738.791	0
Goodwill		18.912.017	0
Intangible assets	6	**79.400.869**	**29.235.235**
Land and buildings		14.240.287	15.534.859
Other fixtures and fittings, tools and equipment		1.767.954	1.153.530
Leasehold improvements		2.699.773	2.581.582
Property, plant and equipment	7	**18.708.014**	**19.269.971**
Investments in subsidiaries	8	94.644.549	68.445.199
Receivables from group enterprises	9	129.070.672	72.156.686
Fixed asset investments		**223.715.221**	**140.601.885**
Fixed assets		**321.824.104**	**189.107.091**
Trade receivables		24.690.677	19.075.275
Contract work in progress	10	29.535.143	30.496.273
Receivables from group enterprises		154.843.843	83.006.420
Other receivables	11	17.465.345	25.282.461
Prepayments	12	1.065.840	1.552.423
Receivables		**227.600.848**	**159.412.852**
Cash at bank and in hand		**25.095.945**	**41.242.253**
Currents assets		**252.696.793**	**200.655.105**
Assets		**574.520.897**	**389.762.196**

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		762.000	761.000
Reserve for development costs		28.143.884	22.265.738
Retained earnings		219.814.182	165.736.493
Equity		**248.720.066**	**188.763.231**
Provision for deferred tax	14	19.789.704	12.740.888
Provisions		**19.789.704**	**12.740.888**
Lease obligations		12.589.930	13.802.624
Payables to group enterprises		218.819.489	94.841.077
Other payables		4.004.532	3.926.012
Long-term debt	15	**235.413.951**	**112.569.713**
Lease obligations	15	1.240.875	1.243.405
Trade payables		2.746.020	1.911.186
Payables to group enterprises	15	3.346.425	12.731.727
Payables to group enterprises relating to corporation tax		5.960.986	9.007.350
Other payables	15	57.302.870	50.794.696
Short-term debt		**70.597.176**	**75.688.364**
Debt		**306.011.127**	**188.258.077**
Liabilities and equity		**574.520.897**	**389.762.196**
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	761.000	0	22.265.738	165.736.492	188.763.230
Cash capital increase	1.000	26.035.850	0	0	26.036.850
Extraordinary dividend paid	0	0	0	-12.000.000	-12.000.000
Development costs for the year	0	0	8.748.210	-8.748.210	0
Depreciation, amortisation and impairment for the year	0	0	-2.870.064	2.870.064	0
Net profit/loss for the year	0	0	0	45.919.986	45.919.986
Transfer from share premium account	0	-26.035.850	0	26.035.850	0
Equity at 31 December	**762.000**	**0**	**28.143.884**	**219.814.182**	**248.720.066**

Notes to the Financial Statements

		2021	2020
		DKK	DKK
1	**Other operating income**		
	Re-invoiced R&D costs	0	1.781.529
	Covid-19 compensation	0	2.067.208
	Income from insurance	0	1.737.637
		0	**5.586.374**
2	**Staff expenses**		
	Wages and salaries	57.833.499	37.242.198
	Pensions	7.081.885	2.780.736
	Other social security expenses	1.100.433	629.404
	Other staff expenses	1.238.397	687.915
		67.254.214	**41.340.253**
	Average number of employees	**145**	**96**

The Executive Board is remunerated in the Parent Company Care DK BidCo ApS, and the remuneration to the Executive Board is therefore settled through a Management Fee.

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		2021	2020
3	**Financial income**		
	Interest received from group enterprises	15.436.888	8.624.038
		15.436.888	**8.624.038**
4	**Financial expenses**		
	Interest paid to group enterprises	11.097.118	6.273.866
	Other financial expenses	1.455.942	1.713.936
	Exchange loss	1.308.714	305.134
		13.861.774	**8.292.936**

Notes to the Financial Statements

5 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax for the year	6.308.000	9.007.350
Deferred tax for the year	1.176.985	210.033
Adjustment of tax concerning previous years	1.282	17.243
	7.486.267	**9.234.626**

6 Intangible assets

	Completed development projects	Software	Customer contracts	Goodwill
	DKK	DKK	DKK	DKK
Cost at 1 January	34.373.125	1.534.989	0	0
Net effect from merger and acquisition	0	510.602	26.376.434	21.013.352
Additions for the year	11.215.654	449.288	0	0
Disposals for the year	0	-510.602	0	0
Cost at 31 December	45.588.779	1.984.277	26.376.434	21.013.352
Impairment losses and amortisation at 1 January	5.827.308	845.571	0	0
Amortisation for the year	3.679.569	642.647	2.637.643	2.101.335
Reversal of amortisation of disposals for the year	0	-172.100	0	0
Impairment losses and amortisation at 31 December	9.506.877	1.316.118	2.637.643	2.101.335
Carrying amount at 31 December	**36.081.902**	**668.159**	**23.738.791**	**18.912.017**
Amortised over	10 years	3 years	10 years	10 years

Development projects relate to the development of new versions of the Company’s existing software products. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The software is expected to be used in the present market to the Company’s existing customers, and furthermore contribute to efficiency and high margins in core business activities. Prior to the initiation of the projects, the Company inquired of its customers as to the need for an updated programme, which was well received.

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 January	16.829.431	1.605.955	3.802.833
Net effect from merger and acquisition	562.455	130.740	0
Additions for the year	0	824.652	739.890
Cost at 31 December	17.391.886	2.561.347	4.542.723
Impairment losses and depreciation at 1 January	1.294.572	452.425	1.221.251
Depreciation for the year	1.857.027	340.968	621.699
Impairment losses and depreciation at 31 December	3.151.599	793.393	1.842.950
Carrying amount at 31 December	**14.240.287**	**1.767.954**	**2.699.773**
Depreciated over	12 years	3-5 years	5 years
Right of use assets amounting to	14.240.287	376.644	0

8 Investments in subsidiaries

	2021	2020
	DKK	DKK
Cost at 1 January	68.445.199	51.987.519
Additions for the year	26.199.350	16.457.680
Carrying amount at 31 December	**94.644.549**	**68.445.199**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Inga Finans ApS	Denmark	100%	32.260.133	15.896.864
Collectia AB	Sweden	100%	23.892.660	-74.052
Collectia GmbH	Germany	100%	5.173.343	-4.828.029
Collectia Norge AS	Norway	100%	3.331.817	36.676.817
Collectia OY	Finland	100%	-289.947	-289.947
			64.368.006	47.381.653

All foreign subsidiaries are recognised and measured as separate entities.

9 Other fixed asset investments

	Receivables from group enterprises
	DKK
Cost at 1 January	72.156.686
Additions for the year	56.537.989
Cost at 31 December	129.070.672
Carrying amount at 31 December	**129.070.672**

10 Contract work in progress

	2021	2020
	DKK	DKK
Work in progress	29.535.143	30.496.273
	29.535.143	**30.496.273**

Contract work in progress comprises the sales value of ongoing debt collection services. The contract work is measured at the collection fee to which the Company will become entitled multiplied by the estimated proportion of work completed at the balance sheet date, based on the proportion of costs incurred as of the balance sheet date compared to the total costs expected to be incurred. Contract work is recognised only to the extent that the Group expects to receive the consideration. Assessment of the collectibility is determined on a portfolio basis.

11 Other receivables

Other receivables comprise payments to customers concerning so-called warranty portfolios and factoring agreements. The receivable has been calculated on the basis of the payments made under warranty schemes and factoring agreements and reflects the amounts which the Company expects to collect in the foreseeable future.

Receivables from warranty schemes and factoring agreements are measured at amortised cost. Provisions for bad debts are made based on an impairment assessment of the receivables. The receivables are written down to net realisable value if lower than carrying amount.

Notes to the Financial Statements

12 Prepayments

Prepayments consist of prepaid expenses concerning rent and insurance premiums.

	2021	2020
	DKK	DKK
13 Distribution of profit		
Extraordinary dividend paid	12.000.000	0
Retained earnings	33.919.986	35.078.735
	45.919.986	**35.078.735**

14 Provision for deferred tax

Provision for deferred tax at 1 January	12.740.888	12.530.855
Amounts recognised in the income statement for the year	1.176.985	210.033
Net effect from merger	5.871.831	0
Provision for deferred tax at 31 December	**19.789.704**	**12.740.888**

Notes to the Financial Statements

15 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:

	2021	2020
	DKK	DKK
Lease obligations		
After 5 years	8.072.826	9.330.616
Between 1 and 5 years	4.517.104	4.472.008
Long-term part	12.589.930	13.802.624
Within 1 year	1.240.875	1.243.405
	13.830.805	**15.046.029**
Payables to group enterprises		
Between 1 and 5 years	218.819.489	94.841.077
Long-term part	218.819.489	94.841.077
Other short-term debt to group enterprises	3.346.425	12.731.727
	222.165.914	**107.572.804**
Other payables		
Between 1 and 5 years	4.004.532	3.926.012
Long-term part	4.004.532	3.926.012
Other short-term payables	57.302.870	50.794.696
	61.307.402	**54.720.708**

	2021	2020
	DKK	DKK
16 Contingent assets, liabilities and other financial obligations		
Other contingent liabilities		
Payment guarantee concerning debt collection	5.000.000	5.000.000

The Company has issued a factoring agreement with a cap of DKK 20 mio. At 31 December 2021, DKK 9.2 mio. of this agreement was outstanding.

The company has issued a letter of support addressed to the subsidiary Inga Finans ApS', valid until 31 December 2022.

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 Care DK BidCo 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

17 Related parties

	Basis
Controlling interest	
Silverfleet Capital Partners LLP	Capital owner (Majority)

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.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the following Parent companies:

Name	Place of registered office
Credit Services Holdings Limited	England
Care DK BidCo ApS	Denmark

The Group Annual Report of Credit Services Holdings Limited may be obtained at the following address:

1 Carter Lane
London
EC4V 5ER
England

The Group Annual Report of Care DK BidCo ApS may be obtained at the following address:

c/o Collectia A/S
Abildager 11
2605 Brøndby
Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Collectia A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Care DK BidCo ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Care DK BidCo ApS, the Company has not prepared a cash flow statement.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Notes to the Financial Statements

18 Accounting Policies (continued)

Business combinations

Uniting of interests

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Lease liabilities are subsequently measured by increasing increasing the carrying amount to reflect interest on the lease liability, and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Variable lease payments are recognised on a straight-line basis as an expense in profit or loss.

The Company has elected to recognise short-term leases and leases of low-value assets.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Income Statement

Revenue

Revenue from debt collection service is recognized along with provision of the service. Recognition of revenue commences if it is probable that the consideration will be collected from the debtor. The assesment is preformed on a portfolio basis. Consequently, revenue recognition is based on the estimated success rate. The contract consideration for the proportion of the cases expected to be collected is recognized in full over the period in which the work is performed based on an estimate over costs incurred compared to the total costs expected to be incurred to fulfil the performance obligation

Interest revenue from investments in portfolios of overdue receivables is recognised at the credit adjusted effective interest rate. Upon acquisition of a debt portfolio, the credit adjusted effective interest rate (EIR) is determined, based on expected cash flows.
The effect of re-assessment of the expected cash flows is reported as revaluations of portfolio investments.

In addition to revenue from collection services and income fom aquired debt portfolios, the Company has other revenue streams from contracts with customers such as reminder services, invoicing services, financial data in a subscription basis. These revenues are recognised when control of the services are transferred to the customer generally being at the point in time where the service is delivered.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises and sales as well as office expenses, etc.

Gross profit/loss

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including Covid-19 compensation, income from insurance and re-invoiced R&D costs.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

The Company is jointly taxed with Parent companies and wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Costs of development projects comprise salaries and other expenses directly or indirectly attributable to the Company's development activities.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover distribution and administrative expenses involved as well as the development costs.

Development costs are amortised on a straight-line basis over theperiod of the expected economic benefit from the development work. The amortisation period is 10 years.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Software and costs relating to rights developed by the company are recognised in the balance sheet as costs in the year of recognition.

Software and costs relating to rights is measured at costs less accumulated amortisation and less any accumulated impairment losses.

Software and costs relating to rights are amortised on a straight-line basis over the expected useful lives of the assets, which is 3 years.

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Customer contracts are measured at the lower of cost less accumulated amortisation and recoverable amount. Customer contracts are amortised over its useful life, which is assessed at 10 years.

Property, plant and equipment

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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

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

Other buildings	13 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Services in progress are measured at the selling price of costs incurred on projects which are expected to be recovered in the future. The expected recovery rates is determined on the basis of historical data.

Prepayments

Prepayments comprise prepaid expenses concerning rent and insurance premiums.

Notes to the Financial Statements

18 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

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

Financial Highlights

Explanation of financial ratios

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