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Vestre Ringgade 28
DK-8000 Aarhus C
CVR no. 20 22 26 70

FLEX FUNDING A/S

LILLE FREDENSVEJ 13 1., 2920 CHARLOTTENLUND

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 12 June 2024

Ernst Ulrik Bayer

CVR NO. 25 61 99 78

CONTENTS

COMPANY DETAILS

Company	FLEX FUNDING A/S Lille Fredensvej 13 1. 2920 Charlottenlund	
	CVR No.:	25 61 99 78
	Established:	5 December 2013
	Municipality:	Gentofte
	Financial Year:	1 January - 31 December
Board of Directors	Ernst Ulrik Bayer, chairman Svend Aage Linde Martin Nymark Hansen	
Executive Board	Henrik Vad	
Auditor	BDO Statsautoriseret revisionsaktieselskab Vestre Ringgade 28 8000 Aarhus C	
Law Firm	Lund Elmer Sandager Advokatpartnerselskab Kalvebod Brygge 39-41 1560 Copenhagen V	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of FLEX FUNDING A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Charlottenlund, 31 May 2024

Executive Board

Henrik Vad

Board of Directors

Ernst Ulrik Bayer Chairman	Svend Aage Linde	Martin Nymark Hansen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of FLEX FUNDING A/S

Opinion
We have audited the Financial Statements of FLEX FUNDING A/S for the financial year 1 January - 31 December 2023, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter
We draw attention to note 9, which describes the material uncertainty associated with the valuation of the group receivables of DKK 16 M. Our conclusion has not been modified regarding this matter.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management Commentary
Management is responsible for Management Commentary.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

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

Aarhus, 31 May 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jonas Lund Jacobsen
State Authorised Public Accountant
MNE no. mne46611

MANAGEMENT COMMENTARY

Principal activities

Flex Funding operates a marketplace lending platform (P2P) that allows investors to lend money directly to SMEs, without holding loans on our own balance sheet. With a market share of more than 80 percent, Flex Funding A/S is the largest marketplace lender for SMEs in Denmark, where SME borrowers benefit from fast, flexible, and competitively priced SME loans. The proprietary platform is offered in our own brand and via partnerships (white label partners and joint venture partners). The partners gain access to the Flex Funding ecosystem with all the benefits that come with a common marketplace and lending capacity from private, institutional, and public sources.

Flex Funding is backed by Danmarks Eksport- og Investeringsfond (EIFO) as well as the European Investment fund (EIF) directly in the roles as lenders or as guarantors.

In addition, Flex Funding offers a secondary marketplace where investors can trade loan parts.

Performance

Flex Funding has more than 9 years' proven track record with strong loan origination volume growth. The historical returns for investors are a stellar performance. DKK 100 invested and reinvested in all loans since our launch in 2015 has been increased to DKK 138 after losses and costs at the end of 2023. Compared with benchmark the European High Yield Index, the value of the index has increased to DKK 117 (before costs). The annualized losses are as low as 4,36%. All Flex Fundings data are verified by LoanClear, UK.

Return data verified by LoanClear, UK:

- CAGR (Compound Annual Growth Rate) since inception has been 3,64%, which has been generated at a standard deviation of monthly returns of 0,304%.
- The maximum drawdown of returns from prior high has been 1,74% (Mar 2023).

Flex Funding's unique Ecosystem

Flex Funding offers the flexible proprietary crowdfunding platform for white label partners and joint venture partners. We provide companies and associations with proven solutions that help them access and innovate within SME crowdfunding. Our partners benefit from best-in-class execution, a common marketplace connecting the entire ecosystem, with integrated back-office, lending capacity and regulatory services. The concept has proven its worth with the number of partners already onboard.

2023 Review

In 2023, Flex Funding has faced significant challenges due to a breached agreement with a major investor, who, according to a signed investment agreement, had committed to invest DKK 35 mill. in Flex Funding. Flex Funding has used a substantial of management resources, costs and time to initiate and complete an arbitration case against the investor. We received the Arbitral Tribunal's ruling in October, which fully upheld Flex Funding. The decision cannot be appealed. The breached investment agreement resulted in liquidity constraints, necessitating a temporary halt to ongoing strategic initiatives and investments, as well as the dismissal of several employees. As a consequence of these circumstances, Flex Funding has redirected resources and efforts towards core business and postponed the growth strategy.

Flex Funding launched a new proprietary IT-platform in February 2023. The new IT platform is based on experience gained from the old IT-platform and has been developed using the latest IT-designs and technologies. All clients and data were migrated successfully in March 2023 and the old platform and its databases have been closed down. This will reduce the hosting costs in the future. The new platform is a more agile, scalable and versatile solution. The platform is in compliance with the new EU Regulation on European Crowdfunding Service Providers and EBA's guidelines for payment institutions. Using open banking solutions in real time it is among others able to handle clients from additional markets regardless their resident country local currency and payment infrastructure. Substantial costs have been invested both internally and externally. Launching the new platform is a part of Flex Funding's strategic plan. The ambition is to expand the business within EU directly or indirectly via joint venture partners.

The EU market for crowdfunding has been underdeveloped compared with other major world

MANAGEMENT COMMENTARY

2023 Review (continued)

economies. For many years, one of the biggest hurdles faced by crowdfunding platforms seeking to offer their services across borders has been diverging licensing requirements and the lack of common rules across the European Union. As a result, small businesses had fewer financing opportunities available to them and investors had less choice and faced more uncertainty when investing cross-border. The Regulation on European Crowdfunding Service Providers (ECSP) for business lays down uniform rules across the EU for the provision of investment-based and lending-based crowdfunding services related to business financing. It allows platforms to apply for an EU passport based on a single set of rules, which makes it easier for them to offer their services across the EU with a single authorisation. Existing crowdfunding platforms with prior authorisation under national rules had to receive authorisation under the new regulatory framework. Flex Funding has in 2023 committed significant resources to the ECSP approval process and is currently licensed as a crowdfunding service provider according to the ECSP and as a payment institution according to the PSD.

The new rules are expected to increase the availability of this innovative form of finance, which will help companies seeking alternatives to bank financing. Investors on crowdfunding platforms, meanwhile, will benefit from an aligned and enhanced investor protection framework, based on clear rules on information disclosures for project owners and crowdfunding platforms, rules on governance and risk management for crowdfunding platforms and strong and harmonised supervisory powers for national authorities overseeing the functioning of crowdfunding platforms.

In March, the European Investment Fund conducted a monitoring visit to ensure that the loans brokered by Flex Funding with loss guarantees from the European Guarantee Fund complied with the guarantee program.

In March, the Danish Financial Supervisory Authority announced that they would carry out an ordinary inspection of Flex Funding in May. This was the second ordinary inspection since Flex Funding obtained authorization as a payment institution in 2016. The inspection was an investigation into the payment institution service and the anti money laundering (AML) area. On the payment institution service area the inspection included the company's overall business model, business plans, capital ratios, organizational structure as well as internal control and security measures. In the AML part the inspection understood the company's customer knowledge and monitoring as well as the company's compliance with investigation, listing, notification and storage obligation. The Financial Supervisory Authority's report on the inspection is published on Flex Funding's website.

Overall, the above mentioned challenges have led to setbacks in our aspirations and an unsatisfactory outcome for the year. Unfortunately, this situation has delayed the company's ambitions for internationalization and growth. Nevertheless, we anticipate that our dedication to our core business and the utilization of the new licensing opportunities will contribute to reversing this trend. We remain optimistic about the future and look forward to realizing our potential anew.

Flex Funding has in 2023 seen an increase in origination of nearly 8%, compared to 2022 with origination reaching 217 million DKK in 2023 – The origination has been on an upwards trajectory since inception – with a down year in 2020 due to Covid-19. Flex Funding has funded a total of 699 loans.

A new start

With the implementation of the new IT platform in 2023 and the new ECSP licence, which gives Flex Funding access to cross-border activities, the strategy is to include at least one new geographic market area in 2024. Either independently, via joint-venture partners or mergers and acquisitions . With the relatively large basic costs with the ECSP-license, that the industry has to bear for compliance and IT, the management expects a consolidation in the industry. A consolidation will create faster revenue growth than organic growth and thus cover the necessary basic costs. Flex Funding would like to actively participate in a consolidation and considers that Flex Funding is an attractive partner that will stand strong in this process with EU licenses both according to ECSP and PSD2 and a brand new IT platform that is compliant with this and prepared to be able to cover customers throughout the EU.

Financial review

The income statement for 2023 shows a loss before tax of 14.2 mDKK, against a loss before tax of 19.5

MANAGEMENT COMMENTARY

Financial review (continued)
mDKK the previous year.

This is below Management's expectations – explained with the mentioned challenges during 2023..
It is a strategic decision continuing to invest in developing the IT-platform and in growth entering new markets and building new white label partnerships . A strategy has been made to ensure the organization ready to cope with a significant growth in the coming years.

Capital and liquidity resources
The company is working within the FinTech sector and are in a growth phase, where the budgets depend on the realization of the management's plans for several future initiatives, including growth initiatives. The development requires resources for system development, product development and sales and marketing. The day-to-day operations cannot finance the development and therefore the company is dependent on continued capital and liquidity. Based on funding commitments, it is Management's expectation that the company has sufficient funding to continue its operation in 2024.

Recognition and measurement uncertainty
There is significant uncertainty regarding recognition and measurement of the groups IT platform. Please refer to note 9 for additional details.

Subsequent events
In the period from year-end until approval of the annual report, no further subsequent events of a significant nature have occurred.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
GROSS LOSS		**-2.498.206**	**-4.675.760**
Staff costs	1	-7.715.157	-9.381.342
Depreciation, amortisation and impairment losses for tangible and intangible assets		-49.811	65.394
OPERATING LOSS		**-10.263.174**	**-13.991.708**
Income from investments in subsidiaries		-3.525.917	-3.785.385
Other financial income		1.099.547	1.315.434
Other financial expenses		-2.175.672	-2.979.266
LOSS BEFORE TAX		**-14.865.216**	**-19.440.925**
Tax on profit/loss for the year	2	662.765	-93.233
LOSS FOR THE YEAR		**-14.202.451**	**-19.534.158**

PROPOSED DISTRIBUTION OF PROFIT

Allocation to reserve for net revaluation under the equity method		-3.525.917	0
Retained earnings		-10.676.534	-19.534.158
TOTAL		**-14.202.451**	**-19.534.158**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Other plant, fixtures and equipment		94.515	139.564
Property, plant and equipment	3	**94.515**	**139.564**
Investments in subsidiaries		10.731.586	2.851.729
Receivables from Group companies		2.380.799	38.805.481
Rent deposit and other receivables		143.435	138.980
Financial non-current assets	4	**13.255.820**	**41.796.190**
NON-CURRENT ASSETS		**13.350.335**	**41.935.754**
Receivables from group enterprises		16.061.794	0
Other receivables		199.068	37.355
Prepayments		304.702	302.204
Receivables		**16.565.564**	**339.559**
Cash and cash equivalents		**93.551**	**1.367.325**
CURRENT ASSETS		**16.659.115**	**1.706.884**
ASSETS		**30.009.450**	**43.642.638**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital		14.012.470	9.034.191
Retained earnings		-15.562.699	-5.472.067
EQUITY		**-1.550.229**	**3.562.124**
Convertible and interest-bearing debt instruments		0	2.000.307
Debt to mortgage credit institution		10.741.968	16.788.126
Payables to group enterprises		0	22.755
Non-current liabilities	5	**10.741.968**	**18.811.188**
Debt to mortgage credit institution		8.004.379	17.042.945
Bank debt		9.812.548	0
Convertible debt instruments		0	409.126
Trade payables		1.295.446	1.649.846
Other liabilities		1.705.338	2.167.409
Current liabilities		**20.817.711**	**21.269.326**
LIABILITIES		**31.559.679**	**40.080.514**
EQUITY AND LIABILITIES		**30.009.450**	**43.642.638**

Contingencies etc.	6		
Charges and securities	7		
Assumptions for continued operations	8		
Information on significant uncertainties at recognition and measurement	9		

EQUITY

DKK	Share Capital	Share Premium	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2023	9.034.192	0	0	-5.472.067	3.562.125
Proposed profit allocation			-3.525.917	-10.676.534	-14.202.451
Transactions with owners					
Capital increase	6.401.005	2.689.092			9.090.097
Capital reduction	-1.422.727			1.422.727	0
Transferred premium					
Retained premium		-2.689.092		2.689.092	0
Allowed equalization			3.525.917	-3.525.917	0
Equity at 31 December 2023	**14.012.470**	**0**	**0**	**-15.562.699**	**-1.550.229**

NOTES

	2023 DKK	2022 DKK	Note
Staff costs			1
Average number of full time employees	11	13	
Wages and salaries	7.498.404	8.998.714	
Pensions	91.125	40.000	
Social security costs	123.252	75.523	
Other staff costs	2.376	267.105	
	7.715.157	**9.381.342**	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year	-662.765	93.233	
	-662.765	**93.233**	

Property, plant and equipment 3

DKK	Other plant, fixtures and equipment
Cost at 1 January 2023	173.496
Additions	4.761
Cost at 31 December 2023	**178.257**
Depreciation and impairment losses at 1 January 2023	33.934
Depreciation for the year	49.808
Depreciation and impairment losses at 31 December 2023	**83.742**
Carrying amount at 31 December 2023	**94.515**

Financial non-current assets 4

DKK	Investments in subsidiaries	Receivables from Group companies	Rent deposit and other receivables
Cost at 1 January 2023	10.196.295	38.805.481	138.980
Transferred	0	-17.467.568	0
Additions	10.000.000	0	4.455
Disposals	0	-18.957.114	0
Cost at 31 December 2023	**20.196.295**	**2.380.799**	**143.435**
Revaluation at 1 January 2023	-7.344.566	0	0
Revaluation and impairment losses for the year	-3.525.917	0	0
Other adjustments	1.405.774	0	0
Revaluation at 31 December 2023	**-9.464.709**	**0**	**0**
Carrying amount at 31 December 2023	**10.731.586**	**2.380.799**	**143.435**

NOTES

Note

Long-term liabilities 5

	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Convertible and interest-bearing debt instruments	0	0	0	2.409.433
Debt to mortgage credit institution	10.741.968	0	0	16.788.126
Bank debt	9.812.548	9.812.548	0	0
Payables to group enterprises	0	0	0	22.755
	20.554.516	**9.812.548**	**0**	**19.220.314**

Contingencies etc. 6

Contingent liabilities
Rent commitments total DKK 247 thousand under af rent agreement with a non-terminable period of 6 months.

Joint liabilities
The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 0 at the Balance Sheet date.

Charges and securities 7
The assets of the company have been pledged to Vækstfonden as part of a loan agreement up to the amount of 10 mio. kr.

The company has provided joint and several suretyship for subsidiary Lending Lab ApS up to the amount of 75 tkr.

Assumptions for continued operations 8
The company's equity is negative by 1.550.229 DKK as of December 31, 2023, of which the share capital amounts to 14.012.470 DKK. Therefore, the company has lost more than half of its share capital and is subject to the rules on capital losses in the Danish Companies Act.

The company's share capital has subsequently been reestablished through an increase in capital on January 9th 2024.

The company has received a letter of support from Linde Holding ApS regarding the financing of continued operations in the coming 12 months.

NOTES

Note

Information on significant uncertainties at recognition and measurement **9**

The company's group receivables consist of funding of capitalized development cost related to the group's IT platform. The Platform developed is essential for the Flex Funding activities and is servicing also some external white label partners. The platform developed is prepared for application also internationally. There is significant uncertainty associated with future earnings based on the developed Platform – but with the Groups intention to expand significantly the number of white label partners as well as the plan to expand internationally the Management assesses that the value of the development costs for the company represents fairly the value for the company to secure future revenue/earnings.

ACCOUNTING POLICIES

The Annual Report of FLEX FUNDING A/S for 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue
Revenue that consists of rendering service and consultancy service is measured at fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Establishment fees are recognized as income when the contract between the investor(s) and loan recipient has been concluded. The service is considered to be rendered when the contract has been signed. Provision fees are recognized as income over time as the service is provided. Income from consultancy services is recognized in revenue as the service is provided.

Other external expenses
Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Income from investments in subsidiaries
The Income Statement of the Parent Company recognises the proportional share of the results of subsidiaries determined according to the Parent Company's accounting policies and after full elimination of intercompany profits/losses and deduction of amortisation of goodwill. resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

Profits from sale are recognized, if the economic rights related to the sold subsidiaries are transferred. However, not before the profit is realised or regarded as realisable. Moreover, realised losses besides impairments are recognised when they are demonstrated.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

ACCOUNTING POLICIES

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment...	3-5 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying Equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses, and with addition of remaining additional values and goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement upon acquisition of the Equity interest. Where the negative goodwill is related to takeover of contingent liabilities, the negative goodwill is not recognised before the contingent liabilities are settled or cancelled.

Net revaluation of investments in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Investments in subsidiaries with negative equity value are measured at DKK 0. Any receivables with these companies are written off, to the extent that the receivable is uncollectible from a specifically assessed indication of impairment. To the extent that the Parent Company has a legal or actual obligation to cover a negative balance which exceeds the receivable, the remainder is recognised under provisions for liabilities.

Impairment of fixed assets
The carrying amount of tangible assets, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

ACCOUNTING POLICIES

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.