ZYLINC A/S

Strandvejen 104, DK-2900 Hellerup

Annual Report for 1 October 2020 - 30 September 2021

CVR No. 28 88 85 97

The Annual Report was presented and adopted at the Annual General Meeting of the company on 16/12 2021

Peter Stig Andersen
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 Financial Statements of ZYLINC A/S for the financial year 1 October 2020 - 30 September 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 30 September 2021 of the Company and of the results of the Company operations for 2020/21.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Hellerup, 16 December 2021

Executive Board

René Viborg
Manager

Board of Directors

Peter Stig Andersen	René Viborg	Klaus Melchior

Independent Auditor's report

To the shareholders of ZYLINC A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2021 and of the results of the Company´s operations for the financial year 1 October 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ZYLINC A/S for the financial year 1 October 2020 - 30 September 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 Financial 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.

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.

Independent Auditor's report

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, 16 December 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
State Authorised Public Accountant
mne16675

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Company information

The Company	ZYLINC A/S Strandvejen 104 DK-2900 Hellerup CVR No: 28 88 85 97 Financial period: 1 October 2020 - 30 September 2021 Incorporated: 1 July 2005 Financial year: 16th financial year Municipality of reg. office: Gentofte
Board of Directors	Peter Stig Andersen René Viborg Klaus Melchior
Executive board	René Viborg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Lawyers	Nielsen Nørager Advokatpartnerselskab Frederiksberggade 16 1459 København K
Bankers	Danske Bank Holberggade 2 1057 København K

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	28,010	27,022	29,037	26,194	32,322
Profit/loss of ordinary primary operations	6,512	6,524	5,728	-1,750	6,794
Profit/loss of financial income and expenses	618	191	-1,113	2,024	2,454
Net profit/loss	7,129	5,088	3,317	409	7,556
Balance sheet					
Balance sheet total	24,548	41,022	35,214	34,628	34,254
Equity	18,045	17,916	24,017	24,854	27,139
Number of employees	26	29	35	44	37
Ratios					
Solvency ratio	73.5%	43.7%	68.2%	71.7%	79.2%
Return on equity	39.6%	24.3%	13.6%	1.6%	29.8%

Due to changes in the accounting policies in 2018/19 regarding the recognition of revenue the financial highlights for the financial years 2017/18 and 2018/19 have been adapted to the new accounting principles. The financial figures for 2015/16 - 2016/17 has not been corrected to the new accounting principles.

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

Management's review

Key activities

The Zylinc business suite combines Information and Communication Technology (ICT) in a unique way to provide strategic value to all kinds of enterprises by enabling supreme customer experience at lower costs, boosting employee productivity, and improving business process efficiency based on a unique cloud architecture enabling agile development, easy onboarding and subsequent maintenance of new customers.

Zylinc's market awareness and footprint are continuously increasing as a leading provider in the Nordics of cloud-based UC software solutions. Zylinc's unique business suite is positioned in the fastest growing segments of UC with growth rates at 15-25% p.a. in a global market of around USD 20bn in annual revenues.

Zylinc's software solutions are offered as cloud-based services (UCaaS) by hosting partners and telecom operators with recurring revenues or implemented in mixed environments (hybrid), where the Software is licensed by Zylinc to end-customers in a combined upfront and recurring revenue model. As the UCaaS business model has become the dominated one, almost all new customers are onboarded on this model.

Zylinc's unique business suite holds a strong market position, where our key differentiators are as follows:
• Same modular software solution offering towards different business needs within enterprises
• Agnostic towards enterprises' underlying communications infrastructure and applications portfolio
• Customer value products and features are offered in a state-of-the-art mobility-based version also

Combined with Zylinc's vast experience working with Nordic enterprises developing and benefitting from the "Nordic way of working" to deliver superior customer experience and internal organizational engagement, our business suite as a mission critical application portfolio, creates long lasting value to our customers.

Development in the year

In FY2021, Zylinc leveraged our new cloud platform launched late in FY2020, marketed as Novus This new platform is built to run together with leading Cloud providers, e.g. Azure, AWS, and Google Cloud. In addition to this, Zylinc further strengthened our API only implementation. With this, Zylinc and our customers can integrate easily to other business applications, e.g. CRM applications such as Salesforce. Combined with leveraging the new platform, Zylinc also maintained high efficiency and execution ratio in our development organization, enhancing the platform further. Throughout FY2021, a lot of new customers are onboarded easily on our new Novus platform, and with solid customer experience and satisfaction as a result.

Further in FY2021, Zylinc has restructured and completely rebuild its entire commercial organization including Marketing, Presales, Sales, Product Management, and Customer Success functions, providing the company with significantly enhanced capabilities and capacity both at leadership and specialist levels. The organizational investment has been focal in executing Zylinc's revenues growth strategy based on our newly launched Novus platform. Development in sales pipeline volumes, channel partner programs and product roadmap progress all prove a solid foundation to realize above-market growth rates in FY2022 and beyond.

Zylinc's financial performance in FY2021 is deemed satisfactory by management as net revenues grew ~3%, while at the same time we transformed the revenue generation partly from the hybrid revenues business model towards a recurring revenues business model, implying a significantly higher normalized growth.

Significant improvements within the company's software development productivity and cloud-based customer handling, though offset by enhanced commercial investments and organizational strengthening meant that the company realized an EBITDA of DKK 6,809,687 in FY2021, down from DKK 7,253,802 in FY2020. Net profit after tax was DKK 5,300,509 in FY2021, up from DKK 5,088,055 in FY2020. The company's strong earnings margin in FY2021 is also deemed satisfactory by management.

Further, operational earnings are associated with corresponding cash earnings as Zylinc continuously takes all investments in e.g. software development and commercial enhancements as Opex within a fiscal year, thereby funding future revenue generating activities with current earnings. Finally, the company has a substantial cash position and is net debt free. Management therefore deems the financial position of the company as satisfactory.

Management's review

Targets and expectations for the year ahead

Management will continue execution of the current strategy plan, which among others include the following:
• Further rebuild and enhance the company's commercial reach and activities across the Nordics
• Continuously strengthen our new cloud-based Novus platform with additional products and features
• Leverage on Zylinc's long-standing customer portfolio for increased satisfaction and use adoption
• Finalize and marketeer specific parts of our product portfolio in large central European markets

Financially in FY2022, management has the clear expectation that revenues will grow faster compared to FY2021 even though that finalization of the transition to a recurring business model partly offsets the underlying sales growth rates. Further, management is positive on an increase in EBITDA margins and within the corresponding cash earnings going forward as the new software business suite, Novus, will show its competitiveness, easy to onboard and use attractiveness, as well as borderless scalability and modularity. During FY2022, management will continuously assess investment opportunities to support our growth aspiration even further, and as earnings and cash earnings increase, utilize these earnings into investments.

Unusual events

The financial position at 30 September 2021 of the Company and the results of the activities and cash flows of the Company for the financial year for 2020/21 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 October 2020 - 30 September 2021

	Note	2020/21	2019/20
		DKK	DKK
Gross profit		**28,002,118**	**27,021,886**
Staff expenses	1	-21,192,886	-19,768,084
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-305,477	-729,886
Profit/loss before financial income and expenses		**6,503,755**	**6,523,916**
Income from investments in subsidiaries		0	-31,132
Financial income		1,306,664	594,664
Financial expenses		-682,028	-372,635
Profit/loss before tax		**7,128,391**	**6,714,813**
Tax on profit/loss for the year	2	-1,828,227	-1,626,758
Net profit/loss for the year		**5,300,164**	**5,088,055**

Distribution of profit

	2020/21	2019/20
	DKK	DKK
Proposed distribution of profit		
Proposed dividend for the year	7,000,000	7,000,000
Retained earnings	-1,699,836	-1,911,945
	5,300,164	**5,088,055**

Balance sheet 30 September 2021

Assets

	Note	2020/21	2019/20
		DKK	DKK
Other fixtures and fittings, tools and equipment		595,500	115,677
Leasehold improvements		653,787	0
Property, plant and equipment	3	**1,249,287**	**115,677**
Investments in subsidiaries	4	0	476,085
Deposits	5	198,702	193,123
Fixed asset investments		**198,702**	**669,208**
Fixed assets		**1,447,989**	**784,885**
Trade receivables		8,814,320	13,336,370
Receivables from group enterprises		4,137,009	871,561
Other receivables		1,124	1,208
Deferred tax asset		15,911	133,000
Corporation tax		0	1,801,458
Prepayments		416,730	441,356
Receivables		**13,385,094**	**16,584,953**
Current asset investment		**0**	**1,456,250**
Cash at bank and in hand		**13,096,664**	**22,195,760**
Current assets		**26,481,758**	**40,236,963**
Assets		**27,929,747**	**41,021,848**

Balance sheet 30 September 2021

Liabilities and equity

	Note	2020/21	2019/20
		DKK	DKK
Share capital		1,000,000	1,000,000
Reserve for net revaluation under the equity method		0	110,145
Retained earnings		8,215,745	9,805,436
Proposed dividend for the year		7,000,000	7,000,000
Equity		**16,215,745**	**17,915,581**
Other payables		0	1,710,298
Long-term debt	6	**0**	**1,710,298**
Credit institutions	6	753	6,052
Prepayments received from customers		3,160,323	5,021,857
Trade payables		1,226,328	1,518,944
Payables to group enterprises		0	8,731,146
Payables to owners and Management		0	1,498
Corporation tax		1,711,138	2,104,258
Payables to group enterprises relating to corporation tax	6	2,104,258	0
Other payables	6	3,511,202	4,012,214
Short-term debt		**11,714,002**	**21,395,969**
Debt		**11,714,002**	**23,106,267**
Liabilities and equity		**27,929,747**	**41,021,848**

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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 October	1,000,000	110,145	9,805,436	7,000,000	17,915,581
Ordinary dividend paid	0	0	0	-7,000,000	-7,000,000
Other equity movements	0	-110,145	110,145	0	0
Net profit/loss for the year	0	0	-1,699,836	7,000,000	5,300,164
Equity at 30 September	**1,000,000**	**0**	**8,215,745**	**7,000,000**	**16,215,745**

Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK

1. Staff Expenses

	2020/21	2019/20
	DKK	DKK
Wages and salaries	19,380,238	18,077,631
Pensions	1,611,367	1,506,717
Other social security expenses	60,213	66,841
Other staff expenses	141,068	116,895
	21,192,886	**19,768,084**
Average number of employees	**26**	**29**

2. Income tax expense

	2020/21	2019/20
	DKK	DKK
Current tax for the year	1,711,138	1,297,758
Deferred tax for the year	117,089	329,000
	1,828,227	**1,626,758**

3. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 October	962,452	493,241
Additions for the year	735,246	703,840
Cost at 30 September	1,697,698	1,197,081
Impairment losses and depreciation at 1 October	846,774	493,241
Depreciation for the year	255,424	50,053
Impairment losses and depreciation at 30 September	1,102,198	543,294
Carrying amount at 30 September	**595,500**	**653,787**

Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK

4. Investments in subsidiaries

	2020/21	2019/20
Cost at 1 October	4,437,719	4,382,909
Exchange adjustment	0	54,810
Disposals for the year	-4,437,719	0
Cost at 30 September	0	4,437,719
Value adjustments at 1 October	-3,961,634	1,067,393
Disposals for the year	3,961,634	0
Net profit/loss for the year	0	-31,132
Dividend to the Parent Company	0	-1,131,826
Amortisation of goodwill	0	-3,866,069
Value adjustments at 30 September	0	-3,961,634
Carrying amount at 30 September	**0**	**476,085**
Positive differences arising on initial measurement of subsidiaries at net asset value	0	401,562

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership and Votes
Zylinc AB	Sweden	100%

5. Other fixed asset investments

	Deposits
	DKK
Cost at 1 October	193,122
Cost at 30 September	193,122
Revalutations at 1 October	0
Revaluations for the year	5,580
Revaluations at 30 September	5,580
Carrying amount at 30 September	**198,702**

Notes to the Financial Statements

6. 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:

	2020/21	2019/20
	DKK	DKK
Other payables		
After 5 years	0	0
Between 1 and 5 years	0	1,710,298
Long-term part	0	1,710,298
Within 1 year	0	0
Other short-term payables	3,511,202	4,012,214
	3,511,202	**5,722,512**

	2020/21	2019/20
	DKK	DKK

7. Contingent assets, liabilities and other financial obligations

Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	629,265	964,000
	629,265	**964,000**

Other 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 Viborg Holding 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.

8. Accounting policies

The Annual Report of ZYLINC A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in DKK.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

If the foreign group enterprises and associates meet the criteria for independent entities, their income statements are translated using an average exchange rate for the period in question and the balance sheet items are translated using the closing rate. Differences arising from translating the equity of foreign group enterprises at the beginning of the year using the closing rate are recognized directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

When recognizing foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises are recognised directly in equity.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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 expenses for premises, sales and as well as office expenses, etc.

Gross profit

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Notes to the Financial Statements

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Viborg Holding ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Property, plant and equipment

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

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

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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 recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

Other fixed asset investments

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

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 rent, insurance premiums, subscriptions and interest.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

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, including the tax base of tax loss carry-forwards, 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

Loans, such as 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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