

BLUETOWN A/S

Øster Allé 48 5, 2100 København Ø
CVR no. 30 07 52 77

Annual report for the financial year 01.10.21 - 30.09.22

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 01.05.23

Allan Pettersson
Dirigent



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The company

BLUETOWN A/S
Øster Allé 48 5
2100 København Ø
Tel.: 31 66 00 07
Registered office: København
CVR no.: 30 07 52 77
Financial year: 01.10 - 30.09

Executive Board

Peter Ib
Carsten Brønd

Board of Directors

Egon Bruun
Brian Bisgaard Petersen
Boye Kobæk Hartmann
Lars Bentsen Møller

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.10.21 - 30.09.22 for BLUETOWN A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.09.22 and of the results of the company's activities and cash flows for the financial year 01.10.21 - 30.09.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, May 1, 2023

Executive Board

Peter Ib

Carsten Brønd

Board of Directors

Egon Bruun
Chairman

Brian Bisgaard Petersen

Boye Kobæk Hartmann

Lars Bentsen Møller

To the Shareholder of BLUETOWN A/S**AUDITORS'S REPORT ON THE FINANCIAL STATEMENTS****Disclaimer of Opinion**

We have been appointed with a view to auditing the financial statements of BLUETOWN A/S for the financial year 01.10.21 - 30.09.22, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on the financial statements.

It is our opinion that the general assembly should not approve the annual report.

Basis for Disclaimer of Opinion

The group is required to present consolidated group report in accordance to the Danish Financial Act section 109.

Due to lack of sufficient and qualified accounting documentation the management has not prepared the consolidated group report.

We have therefore not been able to complete an audit of the consolidated group report.

There are no audited accounts for the significant subsidiaries, and the company's financial statements do not contain information that enables us to obtain sufficient assurance about the results, assets and liabilities of the subsidiaries. We have therefore not been able to assess whether changes in amounts and information in the annual accounts are necessary as well as information in the notes

In our view, development projects recognised at DKK 2.7 million in the balance sheet of the are measured by an amount which is DKK 2.7 million too high due to lacking write-down of the projects caused by lacking documentation for future earnings. Equity and profit for the year are thus overvalued by DKK 2.7 million.

In our view, receivables from group entities recognised in the balance sheet by DKK 27 million are measured by an amount which is DKK 27 million too high due to lacking write-down. Equity and profit for the year are thus overvalued by DKK 27 million as regards this matter.

Material uncertainty regarding going concern

The financial statements have been presented under the assumption of going concern. As stated in Note 1, the assumption is based on a contractual equity investment.

Due to the lack of sufficient and qualified accounting documentation we have not been able to assure whether the contractual equity investment will be sufficient to ensure the company's going concern.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 responsibility is to conduct an audit the financial statements in accordance with International Standards on Auditing and the additional requirements applicable in Denmark and to issue an auditor's report. However, because of the significance of the matter described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Statement regarding the management's review

As appears from the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We therefore issue no statement regarding the management's review.

VIOLATION OF THE DANISH FINANCIAL STATEMENTS ACT

The company's annual report was not submitted to the Danish Business Authority within the time limit stipulated in the Danish Financial Statements Act, and the management may therefore incur liability.

Soeborg, Copenhagen, May 1, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Michael Lindskov Pedersen
State Authorized Public Accountant
MNE-no. mne34114

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2021/22	2020/21	2019/20	2018/19	2017/18
<i>Profit/loss</i>					
Revenue	319	383	3,580	2,055	5,428
Gross loss	-9,265	-12,021	-6,233	-17,844	-18,172
Total net financials	-14,312	-18,257	-1,295	-10,838	-13,317
Loss for the year	-43,279	-45,120	-26,500	-56,028	-55,640

Balance

Total assets	31,884	33,301	31,630	45,576	12,468
Equity	2,633	-16,590	12,648	6,615	-46,352

Ratios

	2021/22	2020/21	2019/20	2018/19	2017/18
<i>Equity ratio</i>					
Solvency ratio	8%	-50%	40%	15%	-372%

Ratios definitions

Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$				
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Primary activities

The company's activities comprise offering communication and internet solutions in developing countries. The Company has developed an end-to-end communication platform which provides internet connectivity and services specifically designed for the need and conditions in rural and sub-urban areas of the world. The company has subsidiaries in Ghana and India and is working in close collaboration with large tech companies and NGO's to fulfill the mission of connecting the unconnected.

Uncertainty concerning recognition and measurement

In the financial statements for the financial year 01.10.21 - 30.09.22, it is important to note the following uncertainty with regard to recognition and measurement, as it has had a significant influence on the assets and liabilities recognised in the financial statements:

As of 30 September 2022 Bluetown has completed development projects of DKK 6.5 million. and uncertainty are attached to the valuation as described in note 2.

Development in activities and financial affairs

The income statement for the period 01.10.21 - 30.09.22 shows a profit/loss of DKK -43,278,557 against DKK -45,119,875 for the period 01.10.20 - 30.09.21. The balance sheet shows equity of DKK 2,632,851.

In the first half of the financial year, the company was significantly affected by the COVID-19 situation in the two main markets, India and Ghana, where activities were at zero.

The level of activity and the planned upscaling of the business in the financial year 2021/2022 have been affected by delays in payments on capital raising agreements, which during the period did not lead to securing the capital needed for growth.

The challenges during the period are reflected in the accounting figures, which are perceived by the company's management as unsatisfactory

The earnings expectations for the financial year 01.10.21 - 30.09.22 were a a net loss due to the COVID-19 lockdowns.

Significant uncertainty as regards going concern

The new strategic plan for BLUETOWN A/S is to reach cash flow positive status during FY 2024, via continued scaling of the business and revenues within Project sales (mainly India market), Internet Services (mainly Ghana market) and Product sales of Power Units (out of Denmark). Planned investments to implement this strategy is based on a 6 MEUR contractual equity investment (due 31-5-2023). Besides this further Project investments of 10

MEUR based on a loan agreement. Project investments is expected to happen in second half of 2023. The plan and investment have been approved by the Board of Directors in BLUETOWN A/S.

Outlook

The market opportunities are still seen as very promising, and the management and the board, based on market experience and the current pipeline of projects, have strong confidence in the goal of achieving a positive cash flow for the company in the coming period. The expectation is that it will happen in a period of approximately 9-12 months after securing the financing for a scale-up.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note	2021/22 DKK	2020/21 DKK
Revenue	319,225	382,723
Cost of sales	-739,973	-216,908
Other external expenses	-8,844,701	-12,186,575
Gross loss	-9,265,449	-12,020,760
3 Staff costs	-17,430,472	-16,920,668
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-2,236,095	-1,314,919
Operating loss	-28,932,016	-30,256,347
4 Income from equity investments in group enterprises	0	-16,788,112
5 Financial income	19,786,488	3,486,647
Impairment losses on financial assets	-30,764,420	0
Financial expenses	-3,334,218	-4,955,116
Loss before tax	-43,244,166	-48,512,928
Tax on loss for the year	-34,391	3,393,053
Loss for the year	-43,278,557	-45,119,875

6 Proposed appropriation account

ASSETS		30.09.22	30.09.21
Note		DKK	DKK
	Completed development projects	2,682,754	4,891,184
	Acquired rights	12,498	24,996
7	Total intangible assets	2,695,252	4,916,180
	Other fixtures and fittings, tools and equipment	0	15,168
8	Total property, plant and equipment	0	15,168
10	Receivables from group enterprises	27,000,000	16,263,379
10	Deposits	265,788	285,040
	Total investments	27,265,788	16,548,419
	Total non-current assets	29,961,040	21,479,767
	Raw materials and consumables	14,562	131,061
	Total inventories	14,562	131,061
	Trade receivables	0	134,246
	Receivables from group enterprises	0	3,681,852
	Income tax receivable	1,202,070	3,147,335
	Other receivables	314,756	303,880
11	Prepayments	374,770	413,458
	Total receivables	1,891,596	7,680,771
	Cash	16,639	4,009,315
	Total current assets	1,922,797	11,821,147
	Total assets	31,883,837	33,300,914

EQUITY AND LIABILITIES		30.09.22	30.09.21
Note		DKK	DKK
12	Share capital	2,438,786	1,193,738
	Share premium	343,409,342	282,153,193
	Reserve for development costs	0	875,090
	Retained earnings	-343,215,277	-300,811,810
	Total equity	2,632,851	-16,589,789
13	Other payables	13,290,888	13,950,798
	Total long-term payables	13,290,888	13,950,798
	Convertible and profit-sharing debt instruments	0	199,920
	Payables to other credit institutions	1,305	278
	Trade payables	3,809,115	3,598,430
	Other payables	12,149,678	32,141,277
	Total short-term payables	15,960,098	35,939,905
	Total payables	29,250,986	49,890,703
	Total equity and liabilities	31,883,837	33,300,914
14	Contingent assets		
15	Contingent liabilities		
16	Charges and security		

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Reserve for development costs	Retained earnings	Total equity
Statement of changes in equity for 01.10.21 - 30.09.22					
Balance as at 01.10.21	1,193,738	282,153,193	875,090	-300,811,810	-16,589,789
Capital increase	1,245,048	61,256,149	0	0	62,501,197
Other changes in equity	0	0	-875,090	875,090	0
Net profit/loss for the year	0	0	0	-43,278,557	-43,278,557
Balance as at 30.09.22	2,438,786	343,409,342	0	-343,215,277	2,632,851

Cash flow statement

Note	2021/22 DKK	2020/21 DKK
Loss for the year	-43,278,557	-45,119,875
17 Adjustments	14,226,837	16,489,131
Change in working capital:		
Inventories	116,499	-131,061
Receivables	3,863,163	-10,481,939
Trade payables	210,685	2,911,924
Other payables relating to operating activities	-19,991,599	4,357,570
Cash flows from operating activities before net financials	-44,852,972	-31,974,250
Interest income and similar income received	19,786,488	3,486,647
Interest expenses and similar expenses paid	-3,334,218	-4,955,116
Income tax paid	1,910,874	245,718
Cash flows from operating activities	-26,489,828	-33,197,001
Purchase of intangible assets	0	-3,754,496
Purchase of securities and equity investments	0	-938,323
Loans	-39,145,242	-2,711,146
Cash flows from investing activities	-39,145,242	-7,403,965
Raising of additional capital	62,501,197	15,899,236
Arrangement of payables to credit institutions	1,027	278
Repayment of other long-term payables	-859,830	23,701,633
Cash flows from financing activities	61,642,394	39,601,147
Total cash flows for the year	-3,992,676	-999,819
Cash, beginning of year	4,009,315	5,009,134
Cash, end of year	16,639	4,009,315
Cash, end of year, comprises:		
Cash	16,639	4,009,315
Total	16,639	4,009,315

1. Significant uncertainty as regards going concern

The new strategic plan for BLUETOWN A/S is to reach cash flow positive status during FY 2024, via continued scaling of the business and revenues within Project sales (mainly India market), Internet Services (mainly Ghana market) and Product sales of Power Units (out of Denmark). Planned investments to implement this strategy is based on a 6 MEUR contractual equity investment (due 31-5-2023). Besides this further Project investments of 10 MEUR based on a loan agreement. Project investments is expected to happen in second half of 2023. The plan and investment have been approved by the Board of Directors in BLUETOWN A/S.

2. Uncertainty concerning recognition and measurement

In the financial statements for the financial year 01.10.21 - 30.09.22, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

As of 30 September 2022 Bluetown has completed development projects of DKK 6.5 million. The value of the intangible assets depends on Bluetown's future activities and earnings scale profitability and due to this uncertainty are attached to the valuation.

3. Staff costs

Wages and salaries	17,264,426	16,783,224
Other social security costs	166,046	137,444
Total	17,430,472	16,920,668

Average number of employees during the year	22	25
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Remuneration for the management:

Salaries for the Executive Board	3,312,759	4,900,323
Total remuneration for the Executive Board	3,312,759	4,900,323

Remuneration for the Board of Directors	0	41,667
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Remuneration for the Executive Board and Board of Directors	3,312,759	4,941,990
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The parent Bluetown A/S has in July 2016 established a share-based program for management and employees. The program consist of 109.375 warrants of which 56.500 warrants expires as of 1 June 2025. The rest expires 1 June 2029. The number of warrants granted is 79.871. The exercise price is DKK 400, DKK 200 and DKK 120 per warrant.

	2021/22	2020/21
	DKK	DKK

4. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	-16,788,112
Total	0	-16,788,112

5. Financial income

Interest, group enterprises	4,103,007	2,679,256
Other interest income	36	0
Foreign currency translation adjustments	15,683,445	807,391
Total	19,786,488	3,486,647

6. Proposed appropriation account

Retained earnings	-43,278,557	-45,119,875
Total	-43,278,557	-45,119,875

7. Intangible assets

Figures in DKK	Completed development projects	Acquired rights
Cost as at 01.10.21	6,467,200	125,000
Cost as at 30.09.22	6,467,200	125,000
Amortisation and impairment losses as at 01.10.21	-1,576,016	-100,004
Amortisation during the year	-2,208,430	-12,498
Amortisation and impairment losses as at 30.09.22	-3,784,446	-112,502
Carrying amount as at 30.09.22	2,682,754	12,498

The cost price of development projects is derived from time spend in Bluetown A/S expressed in man-hours and cost of a man-hour used for development of the Group's main technical asset which is Wi-Fi hotspot solutions for remote, satellite, fiber or microlink backhauled systems to be deployed in areas with or without power availability. Development covers foundation tower structure, power solution, network and Wi-Fi configuration and software integration to central Datacenters and network monitoring, billing, payment and reporting solutions. On an on-going basis Management assesses the value of the assets.

8. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.10.21	818,571
Cost as at 30.09.22	818,571
Depreciation and impairment losses as at 01.10.21	-803,404
Depreciation during the year	-15,167
Depreciation and impairment losses as at 30.09.22	-818,571
Carrying amount as at 30.09.22	0

9. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Cost as at 01.10.21	944,963
Disposals during the year	-62,528
Cost as at 30.09.22	882,435
Depreciation and impairment losses as at 01.10.21	-944,963
Reversal of depreciation of and impairment losses on disposed assets	62,528
Depreciation and impairment losses as at 30.09.22	-882,435
Carrying amount as at 30.09.22	0
<hr/>	
Name and registered office:	Ownership interest
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Subsidiaries:	
Bluetown (Mauritius) Limited, Mauritius	100%
Bluetown (India) Private Limited, India	94%
Bluetown Ghana Limited, Ghana	80%

10. Other non-current financial assets

Figures in DKK	Receivables from group enterprises	Deposits
Cost as at 01.10.21	78,838,154	265,788
Additions during the year	50,473,960	0
Disposals during the year	-11,328,718	0
Cost as at 30.09.22	117,983,396	265,788
Impairment losses as at 01.10.21	-62,591,975	0
Impairment losses during the year	-28,391,421	0
Impairment losses as at 30.09.22	-90,983,396	0
Carrying amount as at 30.09.22	27,000,000	265,788

30.09.22	30.09.21
DKK	DKK

11. Prepayments

Other prepayments	374,770	413,458
Total	374,770	413,458

12. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	2,438,786	2,438,786
Total		2,438,786
Capital increase during the financial year	1,245,048	1,245,048

13. Long-term payables

Figures in DKK	Total payables at 30.09.22	Total payables at 30.09.21
Other payables	13,290,888	13,950,798
Total	13,290,888	13,950,798

14. Contingent assets

The company has tax losses to offset against future taxable income of DKK 202,009k. The potential tax asset is not recognized because of the uncertainty about their use.

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 1-38 months and total lease payments of DKK 895k.

16. Charges and security

The company has not provided any security over assets.

17. Adjustments for the cash flow statement

Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	2,236,095	1,314,919
Income from equity investments in group enterprises	0	16,788,112
Financial income	-19,786,488	-3,486,647
Impairment losses on financial assets	30,764,420	0
Financial expenses	3,334,218	4,955,116
Tax on profit or loss for the year	34,391	-3,393,053
Other adjustments	-2,355,799	310,684
Total	14,226,837	16,489,131

18. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

18. Accounting policies - continued -

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

18. Accounting policies - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Completed development projects	3	
Acquired rights	10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

18. Accounting policies - continued -**Impairment losses on financial assets**

Impairment losses on financial assets comprise impairment of investments at a lower recoverable amount and write-downs of financial current assets at a lower net realisable value.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

18. Accounting policies - continued -*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

18. Accounting policies - continued -

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

For equity investments measured according to the equity method, the proportionate share of the equity investments' equity value is determined according to the accounting policies of the parent, stated in the other sections. Equity value is also based on the following accounting policies:

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Property, plant and equipment

Property, plant and equipment are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

Plant and machinery 5 year and DKK 0 residual value.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

18. Accounting policies - continued -

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

18. Accounting policies - continued -**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

18. Accounting policies - continued -

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash, short-term securities with no significant price risk and short-term payables to credit institutions.