

---

# ***NBCD A/S***

Herlev Hovedgade 82, DK-2730 Herlev

## **Annual Report for 1 January - 31 December 2021**

---

CVR No 30 58 24 62

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
27/4 2022

Jeppé Ragnar Andersen  
Chairman of the General  
Meeting



**pwc**

# Contents

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

# Management's Statement

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

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

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

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

Herlev, 27 April 2022

## Executive Board

Jeppe Ragnar Andersen  
CEO

Henning Heiberg Andersen

## Board of Directors

Karl Sebastian Inger  
Chairman

Jeppe Ragnar Andersen

Celine Infeld

# Independent Auditor's Report

To the Shareholders of NBCD A/S

## Opinion

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

We have audited the Financial Statements of NBCD A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

## 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 misstate-

# Independent Auditor's Report

ment, whether due to fraud or error.

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

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

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

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

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

# Independent Auditor's Report

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, 27 April 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jacob F Christiansen  
State Authorised Public Accountant  
mne18628

Kristian Højgaard Carlsen  
State Authorised Public Accountant  
mne44112

## Company Information

### The Company

NBCD A/S  
Herlev Hovedgade 82  
DK-2730 Herlev

CVR No: 30 58 24 62  
Financial period: 1 January - 31 December  
Incorporated: 7 May 2007  
Financial year: 15th financial year  
Municipality of reg. office: Herlev

### Board of Directors

Karl Sebastian Inger, Chairman  
Jeppe Ragnar Andersen  
Celine Infeld

### Executive Board

Jeppe Ragnar Andersen  
Henning Heiberg Andersen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	60.449	59.689	47.812	26.045	23.803
Operating profit/loss	47.245	52.810	43.885	20.979	19.723
Net financials	-2.384	-1.001	-843	-1.447	3.236
Net profit/loss for the year	35.649	40.503	33.734	16.252	20.786
<b>Balance sheet</b>					
Balance sheet total	192.311	125.045	88.130	56.359	90.661
Equity	107.638	71.989	36.486	17.753	21.501
Investment in property, plant and equipment	1.031	5.167	428	0	20.141
Number of employees	26	23	20	25	23
<b>Ratios</b>					
Solvency ratio	56,0%	57,6%	41,4%	31,5%	23,7%
Return on equity	39,7%	74,7%	124,4%	82,8%	133,2%



# **Management's Review**

## **Key activities**

The object of the Company is to operate within clinical drug development and other related activities.

## **Development in the year**

The income statement of the Company for 2021 shows a profit of DKK 35,649,029, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 107,638,329.

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

The company's expectations of an increase in income for 2021 has not been met as investments into building the business have been prioritized.

## **Targets and expectations for the year ahead**

Management expects an increase in profit in the coming year.

## **Subsequent events**

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

## Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>60.448.632</b>	<b>59.688.951</b>
Administrative expenses	1	-13.203.293	-6.879.259
<b>Operating profit/loss</b>		<b>47.245.339</b>	<b>52.809.692</b>
Other operating expenses		0	-93.865
<b>Profit/loss before financial income and expenses</b>		<b>47.245.339</b>	<b>52.715.827</b>
Financial income		411.389	0
Financial expenses	2	-2.794.987	-1.001.054
<b>Profit/loss before tax</b>		<b>44.861.741</b>	<b>51.714.773</b>
Tax on profit/loss for the year	3	-9.212.712	-11.211.711
<b>Net profit/loss for the year</b>		<b>35.649.029</b>	<b>40.503.062</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
Acquired patents		268.372	339.938
<b>Intangible assets</b>	4	<b>268.372</b>	<b>339.938</b>
Land and buildings		23.823.894	24.448.938
Other fixtures and fittings, tools and equipment		664.613	53.596
<b>Property, plant and equipment</b>	5	<b>24.488.507</b>	<b>24.502.534</b>
Investments in subsidiaries	6	0	525.403
Other investments	7	987.093	1.465.965
Deposits	7	23.828	0
<b>Fixed asset investments</b>		<b>1.010.921</b>	<b>1.991.368</b>
<b>Fixed assets</b>		<b>25.767.800</b>	<b>26.833.840</b>
Trade receivables		44.810.428	17.806.385
Receivables from group enterprises		57.990.933	67.662.618
Receivables from associates		0	2.128.293
Other receivables		5.040.318	1.973.899
Deferred tax asset	8	193.973	267.000
Corporation tax		5.592.591	0
<b>Receivables</b>		<b>113.628.243</b>	<b>89.838.195</b>
<b>Cash at bank and in hand</b>		<b>52.915.147</b>	<b>8.372.561</b>
<b>Currents assets</b>		<b>166.543.390</b>	<b>98.210.756</b>
<b>Assets</b>		<b>192.311.190</b>	<b>125.044.596</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		500.000	500.000
Retained earnings		77.138.329	71.489.300
Proposed dividend for the year		30.000.000	0
<b>Equity</b>		<b>107.638.329</b>	<b>71.989.300</b>
Mortgage loans		10.200.023	10.827.846
Deposits		64.200	64.200
Other payables		638.330	1.350.927
<b>Long-term debt</b>	10	<b>10.902.553</b>	<b>12.242.973</b>
Mortgage loans	10	627.823	630.663
Trade payables		51.491.061	25.318.747
Payables to group enterprises		9.553.028	525.403
Corporation tax		4.666.338	10.128.104
Payables to group enterprises relating to corporation tax		4.473.348	0
Other payables	10	2.958.710	4.209.406
<b>Short-term debt</b>		<b>73.770.308</b>	<b>40.812.323</b>
<b>Debt</b>		<b>84.672.861</b>	<b>53.055.296</b>
<b>Liabilities and equity</b>		<b>192.311.190</b>	<b>125.044.596</b>
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Accounting Policies	13		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	71.489.300	0	71.989.300
Net profit/loss for the year	0	5.649.029	30.000.000	35.649.029
<b>Equity at 31 December</b>	<b>500.000</b>	<b>77.138.329</b>	<b>30.000.000</b>	<b>107.638.329</b>

# Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
<b>1 Staff</b>		
Wages and Salaries	16.512.288	17.367.765
Other social security expenses	<u>151.591</u>	<u>0</u>
	<b><u>16.663.879</u></b>	<b><u>17.367.765</u></b>
 <b>Average number of employees</b>	 <b><u>26</u></b>	 <b><u>23</u></b>
 <b>2 Financial expenses</b>		
Other financial expenses	2.794.987	391.554
Exchange loss	<u>0</u>	<u>609.500</u>
	<b><u>2.794.987</u></b>	<b><u>1.001.054</u></b>
 <b>3 Tax on profit/loss for the year</b>		
Current tax for the year	9.139.687	11.478.711
Deferred tax for the year	-50.527	0
Adjustment of deferred tax concerning previous years	<u>123.552</u>	<u>-267.000</u>
	<b><u>9.212.712</u></b>	<b><u>11.211.711</u></b>
 <b>4 Intangible assets</b>		Acquired pa- tents <u>DKK</u>
Cost at 1 January		<u>357.829</u>
Cost at 31 December		<u>357.829</u>
Impairment losses and amortisation at 1 January		17.891
Amortisation for the year		<u>71.566</u>
Impairment losses and amortisation at 31 December		<u>89.457</u>
 <b>Carrying amount at 31 December</b>		<b><u>268.372</u></b>

# Notes to the Financial Statements

## 5 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	25.666.197	69.269
Additions for the year	320.611	710.718
Cost at 31 December	<u>25.986.808</u>	<u>779.987</u>
Impairment losses and depreciation at 1 January	1.217.259	15.673
Depreciation for the year	945.655	99.701
Impairment losses and depreciation at 31 December	<u>2.162.914</u>	<u>115.374</u>
<b>Carrying amount at 31 December</b>	<b><u>23.823.894</u></b>	<b><u>664.613</u></b>

## 6 Investments in subsidiaries

	2021 DKK	2020 DKK
Cost at 1 January	21.656.976	21.656.976
Disposals for the year	-21.656.976	0
Cost at 31 December	<u>0</u>	<u>21.656.976</u>
Value adjustments at 1 January	-21.131.573	-20.931.573
Disposals for the year	21.131.573	0
Dividend to the Parent Company	0	-200.000
Value adjustments at 31 December	<u>0</u>	<u>-21.131.573</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>525.403</u></b>

## 7 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	1.465.965	23.828
Additions for the year	987.093	0
Disposals for the year	-1.465.965	0
Cost at 31 December	<u>987.093</u>	<u>23.828</u>

## Notes to the Financial Statements

Carrying amount at 31 December	<u>987.093</u>	<u>23.828</u>
--------------------------------	----------------	---------------

### 8 Deferred tax asset

Deferred tax asset at 1 January	267.000	0
Amounts recognised in the income statement for the year	50.527	0
Amounts recognised in equity for the year	<u>-123.554</u>	<u>267.000</u>
<b>Deferred tax asset at 31 December</b>	<b><u>193.973</u></b>	<b><u>267.000</u></b>

### 9 Distribution of profit

Proposed dividend for the year	30.000.000	0
Retained earnings	<u>5.649.029</u>	<u>40.503.062</u>
	<b><u>35.649.029</u></b>	<b><u>40.503.062</u></b>

### 10 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:

	<u>2021</u> DKK	<u>2020</u> DKK
<b>Mortgage loans</b>		
Between 1 and 5 years	<u>10.200.023</u>	<u>10.827.846</u>
Long-term part	10.200.023	10.827.846
Within 1 year	<u>627.823</u>	<u>630.663</u>
	<b><u>10.827.846</u></b>	<b><u>11.458.509</u></b>
<b>Deposits</b>		
Between 1 and 5 years	<u>64.200</u>	<u>64.200</u>
Long-term part	64.200	64.200
Within 1 year	<u>0</u>	<u>0</u>
	<b><u>64.200</u></b>	<b><u>64.200</u></b>



# Notes to the Financial Statements

## 10 Long-term debt (continued)

	<u>2021</u>	<u>2020</u>
	DKK	DKK
<b>Other payables</b>		
Between 1 and 5 years	638.330	1.350.927
Long-term part	<u>638.330</u>	<u>1.350.927</u>
Other short-term payables	2.958.710	4.209.406
	<u><b>3.597.040</b></u>	<u><b>5.560.333</b></u>

# Notes to the Financial Statements

## 11 Contingent assets, liabilities and other financial obligations

### Charges and security

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

	23.823.894	24.448.938
--	------------	------------

### Contingent liabilities

The group companies are jointly and severally liable for debt financing of DKK 220.000K to Sonas BidCo ApS.

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 Sonas HoldCo 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.

## 12 Related parties

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Investcorp Holdings B.S.C., Kingdom of Bahrain

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Sonas MidCo ApS, Herlev, Denmark  
Selskabet indgår i koncernrapporten for moderselskabet

<u>Name</u>	<u>Place of registered office</u>
Investcorp Holdings B.S.C.	Kingdom of Bahrain
Sonas MidCo ApS	Herlev Denmark

The Group Annual Report of Sonas MidCo ApS may be obtained at the following address:

Herlev Hovedgade 82, 2730 Herlev, Denmark

# Notes to the Financial Statements

## 13 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

### Consolidated financial statements

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

### Cash flow statement

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

### Recognition and measurement

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

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

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

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

### Translation policies

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

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

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

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

## Income Statement

### Revenue

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.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Gross profit/loss

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

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### Other operating income and expenses

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

### Financial income and expenses

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

### Tax on profit/loss for the year

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

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

## Balance Sheet

### Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

### 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 raised directly for financing the construction of property, plant and equipment

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

are recognised in cost over the period of construction.

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:

Production buildings	50 years	
Other fixtures and fittings, tools and equipment	3-7	years
Leasehold improvements	10 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 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.

### 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.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity 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 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 mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$