Finalto A/S

Dampfærgevej 8, 4., 2100 København Ø
CVR no. 31 36 45 23

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 30.06.22

Matthew Maloney
Dirigent

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Company information etc.

The company

Finalto A/S
Dampfærgevej 8, 4.
2100 København Ø
Registered office: København
CVR no.: 31 36 45 23
Financial year: 01.01 - 31.12

Executive Board

Matthew John Maloney

Board of Directors

Matthew John Maloney
Jeremy Samuel Schlachter
Amit Zeevi
Mikkel Kallerup Olsen

Auditors

BDO
Statsautoriseret revisionsaktieselskab

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 01.01.21 - 31.12.21 for Finalto 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 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

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, June 30, 2022

Executive Board

Matthew John Maloney

Board of Directors

Matthew John Maloney	Jeremy Samuel Schlachter
Amit Zeevi	Mikkel Kallerup Olsen

To the Shareholder of Finalto A/S

Opinion

We have audited the financial statements of Finalto A/S for the financial year 01.01.21 - 31.12.21, which comprise the income statement, balance sheet, statement of changes in equity 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).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.21 and of the results of the company's operations for the financial year 01.01.21 - 31.12.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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.

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 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the 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, we conclude that management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review

Copenhagen, June 30, 2022

BDO

Statsautoriseret revisionsaktieselskab
CVR no. 20222670

Søren Søndergaard Jensen
State Authorized Public Accountant
MNE-no. mne32069

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2021	2020	2019	2018	2017
Profit/loss					
Gross profit	62,139	61,104	55,217	46,718	38,066
Operating profit	25,937	7,243	16,373	18,964	7,859
Total net financials	-20,384	30,910	29,265	29,925	4,639
Profit for the year	2,945	36,511	44,966	45,924	11,829
Balance					
Total assets	302,891	293,796	243,059	197,049	160,114
Investments in property, plant and equipment	1,958	1,741	1,821	1,250	3,310
Equity	180,945	153,372	111,856	62,230	19,261

Ratios

	2021	2020	2019	2018	2017
Equity ratio					
Solvency ratio	60%	52%	46%	31%	12%

Ratios definitions

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

Primary activities

Finalto A/S is the parent entity of the Finalto group of companies ("Finalto Group") and provides investment and technology solutions to its subsidaries.

The Finalto Group is a global innovator in the area of online trading of financial products. We take ideas and concepts and make them global industry leaders in their own space.

Development in activities and financial affairs

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK'000 2,945 against DKK'000 36,511 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK'000 180,945.

During 2021, we introduced additional trading initiatives which can be affected by market conditions. 2021 saw very unfavourable market conditions alongside the implementation of the new initiatives. This resulted in trading losses in the main trading subsidiary. Although the primary liquidity revenue stream performed ahead of budget throughout the year. There was also a further capital injection to ensure the Group remains well capitalised heading into 2022.

So far in 2022, we have seen much more favourable market conditions alongside strong underlying liquidity business. The first half of the year has seen a strong financial performance. This will also lead to a strong pipeline heading into 2023.

During 2021, Finalto A/S and subsidiaries performed well, with notable achievements in financial performance, system robustness and customer support. The key performance indicators monitored by the directors were client trading volumes, cash availability, the regulated subsidiary's solvency and regulatory capital for FCA purposes and the diversification of clients. Each of these KPIs improved over the course of 2021.

Finalto A/S systems performed robustly in 2021 handling 20 million transactions during the year. We continue to make significant investments in the development of our technology to ensure it remains market beating and meets the ever increasing demand of our clients.

During the year, we developed our liquidity offering by enhancing our analytic capabilities and designing bespoke liquidity solutions for our clients.

Our overall financial performance has been strong, with many key KPIs improving year on year. Our Group continued to onboard high quality clients throughout the year giving us a strong pipeline heading into 2022.

Outlook

The trading subsidiary paid out £7.9m in dividends earlier in the year and more recently received a further £7.5m injection of share capital to assist with the growth of the business.

The directors are pleased to see this and seek to build on Finalto’s high quality technology solutions, services and access to diverse liquidity offering during the coming year. To conclude, the directors believe that 2022 will be a strong year for the business as we grow on the foundations laid in 2021.

Knowledge resources

During the year the Finalto Group continued to invest in its customer support and Compliance functions. Finalto maintains the highest standards of regulatory and legal compliance and seeks to adhere to all relevant requirements. Finalto A/S and subsidiaries continued to benefit from the strength of its parent, Finalto Group, and forms a key part of the Finalto Group offering multi-asset cross-margined products to a growing global client base.

External environment

The regulatory landscape is uncertain and continuously evolving which requires the regulated subsidiary to remain up to date on any regulatory updates and changes.

Research and development activities

The companies’ activities include the research and development of industry leading platforms and systems. Development costs are capitalised where appropriate.

Branches abroad

The company has a foreign branch in the United Kingdom which employees a number of Group functions that servie the whole Finalto Group.

Income statement

Note		2021 DKK '000	2020 DKK '000
	Gross profit	**62,139**	**61,104**
1	Staff costs	-23,591	-25,515
	Profit before depreciation, amortisation, write-downs and impairment losses	**38,548**	**35,589**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-12,611	-13,575
	Other operating expenses	0	-14,771
	Operating profit	**25,937**	**7,243**
2	Income from equity investments in group enterprises	-11,422	45,159
3	Financial income	768	893
4	Financial expenses	-9,730	-15,142
	Profit before tax	**5,553**	**38,153**
5	Tax on profit for the year	-2,608	-1,642
	Profit for the year	**2,945**	**36,511**

6 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.21 DKK '000	31.12.20 DKK '000
	Completed development projects	19,043	16,880
7	**Total intangible assets**	**19,043**	**16,880**
	Land and buildings	2,784	3,801
	Leasehold improvements	42	110
	Other fixtures and fittings, tools and equipment	1,919	1,891
8	**Total property, plant and equipment**	**4,745**	**5,802**
9	Equity investments in group enterprises	276,252	267,979
10	Deposits	518	492
	Total investments	**276,770**	**268,471**
	Total non-current assets	**300,558**	**291,153**
	Trade receivables	5	10
	Income tax receivable	590	0
	Other receivables	922	1,058
	Total receivables	**1,517**	**1,068**
	Cash	**816**	**1,575**
	Total current assets	**2,333**	**2,643**
	Total assets	**302,891**	**293,796**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.21 DKK '000	31.12.20 DKK '000
11	Share capital	2,477	2,477
	Share premium	9,096	9,096
	Reserve for net revaluation according to the equity method	116,960	174,679
	Reserve for development costs	14,854	13,166
	Foreign currency translation reserve	-973	-2,501
	Retained earnings	38,531	-43,545
	Total equity	**180,945**	**153,372**
12	Provisions for deferred tax	3,723	3,105
	Total provisions	**3,723**	**3,105**
13	Other payables	1,887	5,121
	Total long-term payables	**1,887**	**5,121**
13	Short-term part of long-term payables	1,255	1,145
	Payables to group enterprises	107,882	123,721
	Income taxes	2,376	1,816
	Other payables	4,823	5,516
	Total short-term payables	**116,336**	**132,198**
	Total payables	**118,223**	**137,319**
	Total equity and liabilities	**302,891**	**293,796**

14 Contingent liabilities
15 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Share premium	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.21 - 31.12.21							
Balance as at 01.01.21	2,477	9,096	174,679	13,166	-2,501	-43,545	153,372
Foreign currency translation adjustment of foreign enterprises	0	0	21,269	0	1,528	0	22,797
Group contribution	0	0	1,098	0	0	733	1,831
Total depreciation, amortisation, impairment losses and write-downs during the year	0	0	0	-9,599	0	0	-9,599
Distributed dividend from group enterprises	0	0	-68,664	0	0	68,664	0
Tax on changes in equity	0	0	0	-476	0	0	-476
Transfers to/from other reserves	0	0	0	11,763	0	-1,688	10,075
Net profit/loss for the year	0	0	-11,422	0	0	14,367	2,945
Balance as at 31.12.21	2,477	9,096	116,960	14,854	-973	38,531	180,945

	2021 DKK '000	2020 DKK '000

1. Staff costs

Wages and salaries	20,760	23,750
Pensions	1,406	815
Other social security costs	128	129
Other staff costs	1,297	821
Total	23,591	25,515
Average number of employees during the year	44	41

Remuneration for the management:

Remuneration for the management: No remuneration has been paid to the Board of Directors. According to the Danish Financial Statements Act section 98b, remuneration to the Executive Board (one person) is not disclosed.

Two members of the Board of Directors are contractually employed by related parties within the Playtech group. Their remuneration does not relate to the work regarding Finalto A/S. No remuneration is recharged to Finalto A/S

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	-11,422	45,159

3. Financial income

Interest, group enterprises	768	893

	2021 DKK '000	2020 DKK '000

4. Financial expenses

Interest, group enterprises	6,444	5,764
Foreign exchange losses	3,063	9,117
Other financial expenses	223	261
Other financial expenses total	3,286	9,378
Total	9,730	15,142

5. Tax on profit for the year

Tax on profit or loss for the year	1,990	1,888
Adjustment of deferred tax for the year	618	-246
Total	2,608	1,642

6. Proposed appropriation account

Reserve for net revaluation according to the equity method	-11,422	45,160
Retained earnings	14,367	-8,649
Total	2,945	36,511

7. Intangible assets

Figures in DKK '000	Completed development projects
Cost as at 01.01.21	52,062
Additions during the year	11,763
Cost as at 31.12.21	63,825
Amortisation and impairment losses as at 01.01.21	-35,183
Amortisation during the year	-9,599
Amortisation and impairment losses as at 31.12.21	-44,782
Carrying amount as at 31.12.21	19,043

Development costs are measured at cost. Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

We have researched and developed a number of new project initiatives during 2021. These are developments to our proprietary trading software used for the provision of liquidity of foreign exchange and risk management and will generate additional revenue in the subsequent years.

The research and development costs associated with these new software’s have been recognised and capitalized at amortized cost and they are fully expected to continue to generate significant revenue in 2022 and future years.

8. Property, plant and equipment

Figures in DKK '000	Land and buildings	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.21	8,098	305	12,250
Additions during the year	103	0	1,855
Cost as at 31.12.21	8,201	305	14,105
Depreciation and impairment losses as at 01.01.21	-4,297	-195	-10,359
Depreciation during the year	-1,120	-68	-1,827
Depreciation and impairment losses as at 31.12.21	-5,417	-263	-12,186
Carrying amount as at 31.12.21	2,784	42	1,919
Carrying amount of assets held under finance leases as at 31.12.21	2,784	0	0

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.21	93,300
Additions during the year	65,991
Cost as at 31.12.21	159,291
Revaluations as at 01.01.21	174,679
Foreign currency translation adjustment of foreign enterprises	21,269
Net profit/loss from equity investments	-11,422
Dividend relating to equity investments	-68,664
Other equity adjustments relating to equity investments	1,099
Revaluations as at 31.12.21	116,961
Carrying amount as at 31.12.21	276,252

Name and registered office:	Ownership interest
Subsidiaries:	
Finalto Financial Services Limited, London	100%
Finalto Asia Pte Ltd, Singapore	100%

10. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.21	492
Additions during the year	26
Cost as at 31.12.21	518
Carrying amount as at 31.12.21	518

11. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	2,477,413	2,477,413

12. Deferred tax

Deferred tax as at 01.01.21	3,105	3,352
Deferred tax recognised in the income statement	618	-247
Deferred tax as at 31.12.21	3,723	3,105

13. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.21	Total payables at 31.12.20
Other payables	1,255	0	3,142	6,266
Total	1,255	0	3,142	6,266

14. Contingent liabilities

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on jointly taxed income etc. of the Group. The total amount of corporation tax payable is disclosed in the annual report of Consolidated Financial Holdings A/S, which is the management company of the joint taxation. 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.

15. Related parties

Controlling influence	Basis of influence
PlayTech Plc, Ground Floor St. Georges Court, Upper Church Street Douglas Isle of Man IM1 1EE United Kingdom	Ultimate Parent Company

Balances	31.12.21 DKK '000
Payables to group enterprises	-107,882

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The company is included in the consolidated financial statements of the parent PlayTech Plc, Ground Floor St. Georges Court, Upper Church Street Douglas Isle of Man IM1 1EE United Kingdom.

16. 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.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of PlayTech Plc, Ground Floor St. Georges Court, Upper Church Street Douglas Isle of Man IM1 1EE United Kingdom, which prepares consolidated financial statements.

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.

16. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and raw materials and consumables and other external expenses.

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

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.

16. Accounting policies - continued -

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, per cent
Completed development projects	3	0
Buildings	8	0
Leasehold improvements	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Land is not depreciated.

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.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises

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.

16. Accounting policies - continued -

Other net financials

Interest income and interest expenses 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.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

16. Accounting policies - continued -

BALANCE SHEET

LEASES

Effective from 1 January 2019, the company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

16. Accounting policies - continued -

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets

Completed development projects

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 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.

Gains and 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 land and buildings, leasehold improvements as well as 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.

16. Accounting policies - continued -

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

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 entreprises

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.

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.

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:

[Indsæt redegørelse for anvendt regnskabspraksis for væsentlige områder i dattervirksomheder, associerede virksomheder og/eller kapitalinteresser, som ikke allerede fremgår af den regnskabsaflæggende virksomheds regnskabspraksis]

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

16. Accounting policies - continued -

discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

16. Accounting policies - continued -

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.

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.

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.

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

16. Accounting policies - continued -

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.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Grants received from the parent are recognised directly in equity under retained earnings, as the grants are treated as capital contributions.

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.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

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.

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.

16. Accounting policies - continued -

Payables

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

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.