

# **4finance ApS**


Vesterbrogade 1L 4., 1620 København V

Company reg. no. 32 55 78 64

## **Annual report**

**1 January - 31 December 2018**

The annual report was submitted and approved by the general meeting on the 31 May 2019.



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Jens-Ole Kyhl Klitgaard  
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's report

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The managing director has today presented the annual report of 4finance ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København V, 28 May 2019

**Managing Director**



Jens-Ole Kyhl Klitgaard

## **Independent auditor's report**

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### **To the shareholders of 4finance ApS**

#### **Opinion**

We have audited the annual accounts of 4finance ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

#### **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 below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The management's responsibilities for the annual accounts**

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an 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 may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

## **Independent auditor's report**

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As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

### **Statement on the management's review**

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

## **Independent auditor's report**

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In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 28 May 2019

### **Grant Thornton**

State Authorised Public Accountants  
Company no. 34 20 99 36



Steen K. Bager

State Authorised Public Accountant  
mne28679

## Company data

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### **The company**

4finance ApS  
Vesterbrogade 1L 4.  
1620 København V

Company reg. no. 32 55 78 64  
Established: 28 October 2009  
Financial year: 1 January - 31 December

### **Managing Director**

Jens-Ole Kyhl Klitgaard

### **Auditors**

Grant Thornton, Statsautoriseret Revisionspartnerselskab  
Stockholmsgade 45  
2100 København Ø

## Financial highlights

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DKK in thousands.	2018	2017	2016	2015	2014
<b>Profit and loss account:</b>					
Gross profit	150.186	145.966	122.721	85.130	57.611
Results from operating activities	130.324	131.658	108.745	75.662	50.482
Net financials	-11.975	-13.323	-10.834	-6.888	-6.548
Results for the year	92.224	92.205	76.280	52.505	33.156
<b>Balance sheet:</b>					
Balance sheet sum	237.559	320.939	273.404	208.983	112.028
Equity	129.466	152.969	142.610	66.329	46.996
<b>Employees:</b>					
Average number of full time employees	30	29	26	24	22
<b>Key figures in %:</b>					
Acid test ratio	219,0	190,3	208,0	146,0	172,0
Solvency ratio	54,5	47,7	52,2	31,7	42,0
Return on equity	65,3	62,4	73,0	92,7	109,0

The change in accounting policies has not given rise to adjustments to the company's key figures, as the effect of these has been incorporated at the beginning of the financial year.

The key figures appearing from the survey have been calculated as follows:

<b>Acid test ratio</b>	$\frac{\text{Current assets} \times 100}{\text{Short-term liabilities}}$
<b>Equity share</b>	$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$
<b>Return on equity</b>	$\frac{\text{Results for the year} \times 100}{\text{Average equity}}$



## **Management's review**

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### **The principal activities of the company**

The principal activity of the Company is providing credit facilities to private individuals and all related business in context hereto.

### **Development in activities and financial matters**

In spite of the challenging and competitive environment in 2018, 4finance ApS performed as we expected at 2018 year start and income growth 4% compare with 2017..

4finance ApS reported a pre-tax profit of m.DKK 118, which is considered satisfied under the IFRS 9 replacement of IAS 39 in 2018. Pre-tax profit remains same level as 2017 (m.DKK 118).

As IFRS 9 replaced IAS 39, this standard has been implemented. There is no requirement for adjustment of comparative figures when IFRS 9 is implemented. The company has chosen not to adjust comparative figures, and the accumulated effect of implementation of IFRS 9 is recognized directly on the equity at the beginning of the implementation year.

The effect recognized under the equity at the beginning of the year is k.DKK. 56.192. The amount is divided between provisions for losses on loan receivables, k.DKK. 72.040 and the tax effect of the provision.

## Management's review

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### Special risks

#### *Operating risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective..

The Company is also subject to reputation risk in relation to the lending practice. Management is fully aware of the scrutiny and interest in the operations of short-term finance institutions by regulators and members of the public. Management seeks to be transparent in the way it markets its business, takes steps to ensure that all operations comply with all relevant legislation and cooperates intensively with regulators, when requested.

#### *Financial risks*

Since 4finance ApS is exclusively funded by the parent's company which whom 4finance ApS has sufficient credit line agreements-the liquidity risk is limited. 4finance ApS liquidity position is continuously monitored to ensure that the company meet its payment obligation all the time.

#### *Exchange rate risks*

The company's transaction is in DKK, Euro and USD. Denmark conducts a fixed exchange rate policy against Euro. The mainly exchange risk is the USD transaction with group company which consider is a low risk.

## **Management's review**

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### *Interest risks*

Interest rate risk is the risk that movements in interest rates will affect the company's interest cost. Management believes that for the interest rate risk is not material since 4finance ApS borrowings have been received at fixed rates. Re-pricing of interest-bearing liabilities is not expected to take place within the next 12 months..

### *Credit risks*

The company's primary risk is the credit area. The maximum loan amount granted to private individuals is DKK 25.000 DKK. In order to mitigate risk resulting from the exposure with credit, 4finance continually adjusts its credit scoring model and approve conditions.

### **Environmental issues**

The company is environmentally aware and continuously works to reduce the environmental impact from its operations. The company has no written environmental policies.

### **Loans and receivables**

The outstanding portfolio amount to DKK 201M, compared with DKK 291M at the end of 2017, which corresponds to a decrease of 31%. This decrease of DKK 90M mainly driven by the change on the provision policy (Replaced IAS 39 with IFRS 9).

### **Research and development activities**

Reference is made to the consolidated financial statements for review of research and development activities.

### **The expected development**

Based on the company's market position as well as planned activities, the sales are expected to maintain stable in 2019. The operating result is expected to be higher in 2019 compared to 2018. The market is characterized by strong competition therefore operating result for 2019 will to a certain extend be influenced by the outcome of this.

### **Events subsequent to the financial year**

No events have occurred after the balance sheet date that materially affect the financial statement for 2018.

## Profit and loss account 1 January - 31 December

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All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Gross profit</b>	<b>150.185.533</b>	<b>145.965.814</b>
1 Staff costs	-19.532.291	-13.961.206
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-329.120	-346.810
<b>Operating profit</b>	<b>130.324.122</b>	<b>131.657.798</b>
Other financial income	963.191	1.366.217
2 Other financial costs	-12.938.177	-14.689.537
<b>Results before tax</b>	<b>118.349.136</b>	<b>118.334.478</b>
Tax on ordinary results	-26.125.260	-26.129.891
<b>3 Results for the year</b>	<b>92.223.876</b>	<b>92.204.587</b>

## Balance sheet 31 December

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All amounts in DKK.

<u>Note</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
<b>Assets</b>		
<b>Fixed assets</b>		
4	818.408	727.250
4	782	8.101
Intangible fixed assets in total	<u>819.190</u>	<u>735.351</u>
5	266.311	446.496
5	132.353	197.786
Tangible fixed assets in total	<u>398.664</u>	<u>644.282</u>
<b>Fixed assets in total</b>	<b><u>1.217.854</u></b>	<b><u>1.379.633</u></b>
<b>Current assets</b>		
Loan receivables	201.434.542	291.180.083
Receivable corporate tax	0	2.543.127
Other debtors	9.159.004	7.799.012
6	287.545	479.664
Debtors in total	<u>210.881.091</u>	<u>302.001.886</u>
Available funds	<u>25.459.804</u>	<u>17.557.656</u>
<b>Current assets in total</b>	<b><u>236.340.895</u></b>	<b><u>319.559.542</u></b>
<b>Assets in total</b>	<b><u>237.558.749</u></b>	<b><u>320.939.175</u></b>

## Balance sheet 31 December

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All amounts in DKK.

<b>Equity and liabilities</b>			
<u>Note</u>		<u>31.12.2018</u>	<u>31.12.2017</u>
<b>Equity</b>			
7	Share capital	1.466.000	1.466.000
	Results brought forward	128.000.423	151.502.961
	<b>Equity in total</b>	<b><u>129.466.423</u></b>	<b><u>152.968.961</u></b>
<b>Provisions</b>			
8	Provisions for deferred tax	194.380	21.693
	<b>Provisions in total</b>	<b><u>194.380</u></b>	<b><u>21.693</u></b>
<b>Liabilities</b>			
	Trade creditors	945.197	1.556.422
	Debt to group enterprises	80.463.767	144.185.529
	Corporate tax	10.039.062	0
	Other debts	10.814.098	16.359.698
9	Deferred income	5.635.822	5.846.872
	Short-term liabilities in total	<u>107.897.946</u>	<u>167.948.521</u>
	<b>Liabilities in total</b>	<b><u>107.897.946</u></b>	<b><u>167.948.521</u></b>
	<b>Equity and liabilities in total</b>	<b><u>237.558.749</u></b>	<b><u>320.939.175</u></b>
<b>10</b>	<b>Securities</b>		
<b>11</b>	<b>Contingencies</b>		
<b>12</b>	<b>Related parties</b>		

## Statement of changes in equity

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All amounts in DKK.

	<u>Contributed capital</u>	<u>Results brought forward</u>	<u>In total</u>
Equity 1 January 2017	1.466.000	141.143.874	142.609.874
Profit or loss for the year brought forward	0	10.354.087	10.354.087
Extraordinary dividend adopted during the financial year	0	-81.845.500	-81.845.500
Distributed extraordinary dividend adopted during the financial year.	0	81.850.500	81.850.500
Equity 1 January 2018	1.466.000	151.502.961	152.968.961
Net accumulated effect of implementation of IFRS 9	0	-56.191.803	-56.191.803
Profit or loss for the year brought forward	0	32.689.265	32.689.265
Extraordinary dividend adopted during the financial year	0	59.534.611	59.534.611
Distributed extraordinary dividend adopted during the financial year.	0	-59.534.611	-59.534.611
	<u><b>1.466.000</b></u>	<u><b>128.000.423</b></u>	<u><b>129.466.423</b></u>

## Notes

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All amounts in DKK.

	<u>2018</u>	<u>2017</u>
<b>1. Staff costs</b>		
Salaries and wages	18.392.749	13.162.130
Pension costs	1.066.802	514.150
Other staff costs	72.740	284.926
	<u><b>19.532.291</b></u>	<u><b>13.961.206</b></u>
Average number of employees	<u>30</u>	<u>29</u>
By reference to section 98b (3)(ii) of the Danish Financial statements Act, remuneration to Management is not disclosed.		
<b>2. Other financial costs</b>		
Financial costs, group enterprises	11.641.337	13.205.403
Other financial costs	1.296.840	1.484.134
	<u><b>12.938.177</b></u>	<u><b>14.689.537</b></u>
<b>3. Proposed distribution of the results</b>		
Extraordinary dividend adopted during the financial year	59.534.611	81.845.500
Allocated to results brought forward	32.689.265	10.359.087
<b>Distribution in total</b>	<u><b>92.223.876</b></u>	<u><b>92.204.587</b></u>



## Notes

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All amounts in DKK.

### 4. Intangible Assets

	<u>Formation of intangible assets</u>	<u>Acquired licences</u>
Cost at 1. januar 2018	727.250	191.164
Additions for the year	91.158	0
<b>Cost at 31. december 2018</b>	<b>818.408</b>	<b>191.164</b>
Impairment losses and depreciation 1. januar 2018	0	183.063
Depreciation for the year	0	7.319
<b>Impairment losses and depreciation 31. december 2018</b>	<b>0</b>	<b>190.382</b>
<b>Carrying amount at 31. december 2018</b>	<b>818.408</b>	<b>782</b>

### 5. Property, plant and equipment

	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>
Cost at 1. januar 2018	1.479.734	305.474
Additions for the year	54.723	0
Disposals for the year	-223.230	0
<b>Cost at 31. december 2018</b>	<b>1.311.227</b>	<b>305.474</b>
Impairment losses and depreciation 1. januar 2018	1.011.081	107.688
Depreciation for the year	257.065	65.433
Reversal of depreciation of divested assets	-223.230	0
<b>Impairment losses and depreciation 31. december 2018</b>	<b>1.044.916</b>	<b>173.121</b>
<b>Carrying amount at 31. december 2018</b>	<b>266.311</b>	<b>132.353</b>

### 6. Deferred expenses

Prepayments recognised under assets comprise incurred costs concerning the next financial year, including insurance.

## Notes

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All amounts in DKK.

### 7. Share capital

There have been no change in the share capital the last 5 years.

	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>8. Provisions for deferred tax</b>		
Provisions for deferred tax 1 January 2018	-15.628.446	21.693
Deferred tax of the results for the year	<u>15.822.826</u>	<u>0</u>
	<b><u>194.380</u></b>	<b><u>21.693</u></b>
The following items are subject to deferred tax:		
Intangible fixed assets	180.050	-6.951
Tangible fixed assets	<u>14.330</u>	<u>28.644</u>
	<b><u>194.380</u></b>	<b><u>21.693</u></b>

## Notes

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All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
<b>9. Deferred income</b>		
Deferred income	<u>5.635.822</u>	<u>5.846.872</u>
	<u><b>5.635.822</b></u>	<u><b>5.846.872</b></u>

## 10. Securities

Of the company's cash holdings, t.kr. 500 is deposited on a security account in Sydbank.

The company has jointly signed the guarantee for the below stated three listed bonds issued by 4finance S.A., Luxembourg.

Issuer	Amount issued	Maturity	Coupon	Listing
4finance S.A.	EUR 150.000.000	May 2021	11,25 %	Frankfurt Stock Exchange
4finance S.A.	USD 200.000.000	August 2019	11,75 %	Irish Stock Exchange
4finance S.A.	USD 325.000.000	2022	10,75 %	Irish Stock Exchange

## 11. Contingencies

### Contingent liabilities

Leasing liabilities

The company has entered into rent contract. The estimated leasing liability is around k.DKK 1.500.

## Notes

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All amounts in DKK.

### 12. Related parties

#### Controlling interest

AS 4finance	100 % ownership
Lielirbes 17A-8	
Riga	
Lativa	

#### Consolidated annual accounts

The company is included in the consolidated annual accounts of 4finance Holding S.A, 9, Allée Scheffer, L-2520, Luxembourg.

#### Website of consolidated financial statement

<https://4finance.com/investors-and-media/financial-results/>

## **Accounting policies used**

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The annual report for 4finance ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of 4finance Holding S.A, 9, Allée Scheffer, L-2520, Luxembourg.

### **Changes in the accounting policies used**

As IFRS 9 replaced IAS 39, this standard has been implemented. There is no requirement for adjustment of comparative figures when IFRS 9 is implemented. The company has chosen not to adjust comparative figures, and the accumulated effect of implementation of IFRS 9 is recognized directly on the equity at the beginning of the implementation year.

The effect recognized under the equity at the beginning of the year is K.DKK. 56.192. The amount is divided between provisions for losses on loan receivables, K.DKK. 72.040 and the tax effect of the provision.

Except from the above, the accounting policies used are unchanged compared to last year

### **Recognition and measurement in general**

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

## **Accounting policies used**

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At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

### **Translation of foreign currency**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

## **The profit and loss account**

### **Gross profit**

Pursuant to section 32 of the Danish Financial Statements Act, the Company has chosen to aggregate the items revenue and other external expenses in the item gross profit/gross loss.

Revenue comprises interest and fees related to loans. Income is accrued over the periods to which it relates and is included in the income statement at the amounts relating to the accounting period concerned.

Other expenses comprise expenses for sale, write-down of loan receivables, office premises and administration.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Other external costs comprise costs for sales, advertisement, administration, premises and operational leasing costs.

### **Staff costs**

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

## **Accounting policies used**

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### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

### **Net financials**

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

## **The balance sheet**

### **Intangible fixed assets**

#### **Development projects, patents, and licences**

Development costs and internally generated rights are recognised in the profit and loss account as costs in the acquisition year.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under amortisation.

#### **Tangible fixed assets**

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

## **Accounting policies used**

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The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life :

	Useful life
Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

### **Leasehold improvements**

Leasehold improvements are measured at cost with deduction of accrued depreciation. Depreciation takes place on a straight-line basis over the estimated useful life of the asset, which is set at 5 years.

### **Receivables**

Receivables are measured at amortized cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. Receivables are assessed for objective indication of impairment on a portfolio basis. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Impairment provision is calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realizable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as a discount rate.

### **Deferred expenses**

Deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Equity**

#### **Dividend**

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).



## **Accounting policies used**

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### **Corporate tax and deferred tax**

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

### **Liabilities**

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

### **Deferred income**

Received payments concerning income during the following years are recognised under deferred income.