4finance ApS

Vesterbrogade 1L 4., 1620 København V

Company reg. no. 32 55 78 64

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 15 June 2022.

Jesper Dal Thrane
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS 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 statement

Today, the board of directors and the managing director have presented the annual report of 4finance ApS for the financial year 1 January - 31 December 2021.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the company's results of activities in the financial year 1 January – 31 December 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

København V, 2 June 2022

Managing Director

Jesper Dal Thrane

Board of directors

Kieran Patrick Donnelly
Chairman

Anton Metochkin

Independent auditor's report

To the shareholders of 4finance ApS

Opinion

We have audited the financial statements of 4finance ApS for the financial year 1 January - 31 December 2021, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the results of the company's activities for the financial year 1 January - 31 December 2021 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 section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such 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 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 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 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 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 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 and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 2 June 2022

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Steen K. Bager
State Authorised Public Accountant
mne28679

Company information

The company	4finance ApS Vesterbrogade 1L 4. 1620 København V	
	Company reg. no.	32 55 78 64
	Established:	28 October 2009
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Kieran Patrick Donnelly, Chairman Anton Metochkin	
Managing Director	Jesper Dal Thrane	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	

Financial highlights

DKK in thousands.	2021	2020	2019	2018	2017
Income statement:					
Gross profit	23.132	101.458	165.432	145.966	122.721
Profit from operating activities	1.556	83.411	143.735	131.658	108.745
Net financials	-3.396	-7.092	-6.412	-13.323	-10.834
Net profit or loss for the year	-1.964	59.318	106.886	92.205	76.280
Statement of financial position:					
Balance sheet total	89.696	124.274	251.197	320.939	273.404
Investments in property, plant and equipment	805	49	248	0	618
Equity	61.751	63.716	79.398	152.969	142.610
Employees:					
Average number of full-time employees	20	28	32	29	26
Key figures in %:					
Acid test ratio	343,7	198,0	144,9	208,0	146,0
Solvency ratio	68,8	51,3	31,6	47,7	52,2
Return on equity	-3,1	82,9	92,0	62,4	73,0

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Acid test ratio $$\frac{\text{Current assets x 100}}{\text{Short term liabilities other than provisions}}$$

Solvency ratio $$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity $$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

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

The unprecedented health crisis has had a strong impact on the consumer loan business during the year 2021. The roll-out of lockdown had a negative impact on our activities with low loan production in all product lines.

On July 1st, 2020, new legislation introducing Annual Percentage Rate (APR) cap, total cost cap and marketing limitations came into force. For compliance purposes 4finance made investments to provide new product lines, which during the 2021 were not overall profitable, and, thus, affected the financial results negatively.

We have reported a pre-tax loss of DKK 1.8 million in 2021, a decrease compared to 2020. Our outstanding portfolio has decreased due to the low sales in 2021, but our cost of risk was significantly improved.

Overall, 2021 was a satisfactory year for the Company and the result are in line with management expectation.

Financial risks and the use of financial instruments

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.

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.

Legal Risk
The Consumer Ombudsman has been investigating the Company regarding fees charged to clients from July 2020. The Company has requested more information about the nature of the filing the Consumer Ombudsman has made with other Danish authorities, with the intention to engage in a positive dialogue with Danish authorities.

On 10 May 2021, the Consumer Ombudsman submitted a police report in this matter. On 9 August 2021, according to the knowledge of the Company, the Consumer Ombudsman submitted a revised report to the Copenhagen Police, replacing the original report and omitting legal provisions, which the Consumer Ombudsman had included in the original report.

Copenhagen Police has according to our knowledge not made any charges in the case or started an investigation. The Company maintains that the Company has not violated the law and continues to try to enter a constructive dialogue with the Consumer Ombudsman on this matter.

The Company does not expect any legal environment changes which related the business in 2021 or further. The Company has taken all reasonable actions to ensure a positive dialogue with all relevant authorities, ensure compliance and will continue to develop the business accordingly.

Exchange rate risk
The Company's transactions are in the currencies DKK, EUR, and USD. Denmark conducts a fixed exchange rate policy against EUR. The main exchange risk is with the USD transaction with the Group company, but this is considered a low risk Financial risks. Since the Company is almost exclusively funded by the 4finance group treasury company (4finance S.A.) with whom the Company has significant credit line agreements, the liquidity risk is limited. The Company's liquidity is continuously monitored to ensure that the Company meet its payment obligations.

Credit risks
The Company's primary risk is credit risk. The maximum loan amount granted to private individuals residing in Denmark is DKK 75.000. In order to mitigate the risk resulting from the exposure, the Company continuously adjusts its credit scoring models and credit policie

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 net portfolio amounting to DKK 78 million, compared with DKK 97 million at the end of 2020, corresponding to a decrease of 21 %.

Research and development activities

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

Expected developments

As a consequence of the ongoing pandemic and the above mentioned case with the Consumer Ombudsman, the Company experiences that the continued pursuit of consumer loan business is associated with such significant uncertainties in relation to significant regulatory and financial matters that the Company has decided with effect from 1 February 2022 to cease offering and issuing consumer loans. The Company will continue to carry out consumer loan business in relation to its existing loan portfolios and thus service its existing loan portfolios, until either 1) a sale of these, which the Company will try to achieve, has taken place, or 2) run-off of the loan portfolios.

Thus, the Company's consumer loan business will therefore wind down in due course. The Company will retain its license as a consumer loan business until the Company's existing loan portfolios have been run-off or sold. Then the Company will contact the Financial Supervisory Authority with a request to have the Company's license to perform consumer loan business withdrawn. This practice will ensure that the consumers are protected by the rules under the Consumer Loan Businesses Act in connection with the wind down of the Company's consumer loan business.

Events occurring after the end of the financial year

No events above from described under "the expected development" have occurred after the balance sheet date that materially affect the financial statement for 2021.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**23.131.855**	**101.458.435**
1	Staff costs	-12.097.965	-16.114.370
	Depreciation, amortisation, and impairment	-9.477.920	-1.932.625
	Operating profit	**1.555.970**	**83.411.440**
	Other financial income	453.755	382.594
2	Other financial costs	-3.849.802	-7.474.647
	Pre-tax net profit or loss	**-1.840.077**	**76.319.387**
	Tax on net profit or loss for the year	-124.171	-17.001.487
3	**Net profit or loss for the year**	**-1.964.248**	**59.317.900**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2021	2020
	Non-current assets		
4	Formation of intangible assets	0	229.396
4	Development projects	0	4.854.204
	Intangible fixed assets in total	0	5.083.600
5	Land and buildings	407.302	1.177.711
5	Other plants, operating assets, and fixtures and furniture	107.601	212.019
5	Leasehold improvements	15.420	45.372
	Tangible fixed assets in total	530.323	1.435.102
	Total non-current assets	**530.323**	**6.518.702**
	Current assets		
	Loan receivables	78.064.147	96.525.921
6	Deferred tax assets	28.765	0
	Other receivables	5.796.087	12.016.742
7	Prepayments and accrued income	195.081	176.527
	Total receivables	84.084.080	108.719.190
	Cash and cash equivalents	5.081.385	9.036.354
	Total current assets	**89.165.465**	**117.755.544**
	Total assets	**89.695.788**	**124.274.246**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2021	2020
	Equity		
8	Share capital	1.466.000	1.466.000
	Retained earnings	23.085.403	62.249.651
	Proposed dividend for the financial year	37.200.000	0
	Total equity	**61.751.403**	**63.715.651**
	Provisions		
	Provisions for deferred tax	0	1.093.275
9	Other provisions	2.000.000	0
	Total provisions	**2.000.000**	**1.093.275**
	Liabilities other than provisions		
10	Current portion of long term payables	405.101	1.207.975
	Trade payables	2.074.557	1.747.298
	Payables to subsidiaries	13.722.884	25.181.264
	Income tax payable	1.246.212	16.286.666
	Other payables	6.236.004	14.909.584
11	Accruals and deferred income	2.259.627	132.533
	Total short term liabilities other than provisions	25.944.385	59.465.320
	Total liabilities other than provisions	**25.944.385**	**59.465.320**
	Total equity and liabilities	**89.695.788**	**124.274.246**

12 Mortage and security

13 Contingencies

14 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2021	1.466.000	62.249.651	0	63.715.651
Profit or loss for the year brought forward	0	-39.164.248	37.200.000	-1.964.248
	1.466.000	**23.085.403**	**37.200.000**	**61.751.403**

Notes

All amounts in DKK.

		2021	2020
1.	**Staff costs**		
	Salaries and wages	10.598.648	14.316.345
	Pension costs	1.439.380	1.689.087
	Other staff costs	59.937	108.938
		12.097.965	**16.114.370**
	Executive board and board of directors	1.950.884	1.420.352
	Average number of employees	20	28
2.	**Other financial costs**		
	Financial costs, group enterprises	427.396	5.675.378
	Other financial costs	3.422.406	1.799.269
		3.849.802	**7.474.647**
3.	**Proposed appropriation of net profit**		
	Extraordinary dividend adopted during the financial year	0	75.000.000
	Dividend for the financial year	37.200.000	0
	Allocated from retained earnings	-39.164.248	-15.682.100
	Total allocations and transfers	**-1.964.248**	**59.317.900**

All amounts in DKK.

4. Intangible assets

	Development projects	Formation of intangible assets
Cost at 1. januar 2021	676.889	4.854.204
Additions for the year	149.727	2.534.373
Cost at 31. december 2021	**826.616**	**7.388.577**
Impairment losses and depreciation 1. januar 2021	447.493	0
Depreciation for the year	379.123	0
Impairment for the year	0	7.388.577
Impairment losses and depreciation 31. december 2021	**826.616**	**7.388.577**
Carrying amount at 31. december 2021	**0**	**0**

Depreciation and impaiment for the year are a direct effect of the fact that the company has decided to stop issuing new loans, why the management does not assess that there will be future cash flows to support the value of the assets.

Notes

All amounts in DKK.

5. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1. januar 2021	10.986.220	1.604.253	309.849
Additions for the year	805.441	0	0
Cost at 31. december 2021	**11.791.661**	**1.604.253**	**309.849**
Impairment losses and depreciation 1. januar 2021	9.808.509	1.392.234	264.477
Depreciation for the year	1.575.850	104.418	29.952
Impairment losses and depreciation 31. december 2021	**11.384.359**	**1.496.652**	**294.429**
Carrying amount at 31. december 2021	**407.302**	**107.601**	**15.420**
Right-of-use assets under IFRS 16, are included with an carrying amount of	407.302		

6. Deferred tax assets

Deferred tax assets 1 January 2021	-1.093.275	-104.702
Deferred tax of the results for the year	1.122.040	-988.573
	28.765	**-1.093.275**

7. Prepayments and accrued income

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

8. Share capital

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

All amounts in DKK.

	31/12 2021	31/12 2020

9. Other provisions

The provision of DKK 2.000.000 has been made based on an ongoing dispute with the Consumer Ombudsman, where the management expects to pay a fine due to misinterpretation of the Marketing Act. The amount has not been finally fixed, but the management expect that the payable amount will be in the range between DKK 499.999 – 4.999.999. The management has based on legal consulting provisioned DKK 2.000.000.

10. Liabilities other than provision

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Lease liabilities	405.101	405.101	0	0
	405.101	**405.101**	**0**	**0**

	31/12 2021	31/12 2020
11. Accruals and deferred income		
Prepayments/deferred income	2.259.627	132.533
	2.259.627	**132.533**

All amounts in DKK.

12. Mortage and security

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 bonds issued by 4finance S.A., Luxembourg:

Issuer	Amount issued	Maturity	Coupon	Listing
4finance S.A.	EUR 150.000.000	Febuary 2025	11,25 %	Frankfurt Stock Exchange

13. Contingencies

Contingent liabilities

The company has a tax audit regarding intragroup services/transfer pricing. The tax audit is not finalized and there is no clear indication of how or when the tax audit will be finalized. Due to that, is it currently not possible to quantify a potential settlement on a reasonable basis, why the annual report does not include any amounts for settlement. Due to the uncertainty about the outcome of the tax audit, as well as uncertainty about a calculation of a possible adjustment, is the matter included as a contingent liability. The company and the Group are expecting that the taxaudit not will end up in any corrections.

14. Related parties

Controlling interest

AS 4finance — Majority shareholder

Street Lielirbes 17A-8, Riga LV-1046, Latvia

Transactions

Transactions with related parties are made on market terms.

Consolidated financial statements

The company is included in the consolidated annual accounts of 4finance Holding S.A, 8-10 Avenue de la Gare, L-1610, Luxembourg

Website of consolidated financial statement:

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

The annual report for 4finance ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of 4finance Holding S.A, 8-10 Avenue de la Gare, L-1610, Grand Duchy of Luxembourg.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

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 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 social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

Tangible fixed assets

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

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

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

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

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

Depreciation is done on a straight-line basis according to an assessment of the expected useful life :

	Useful life
Buildings (Rigth-of-use assets)	Over the term of the contract
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Property, plant, and equipment in progress

Property, plant, and equipment in progress are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Leases

The enterprise will be applying IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the enterprise has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Hereafter, recognised leased assets are treated like the enterprise’s remaining property, plant, and equipment.

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the enterprise expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the enterprise’s borrowing rate is applied as discount rate.

Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Leasehold improvements

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

To counter expected losses, writedown is done to net realisable value. The enterprise will be applying IFRS 9 as the basis of interpretation for the recognition of impairment of financial assets, meaning that an expected loss must be included at initial recognition of the receivable.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, 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. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.