SIGNIFLY A/S

Vesterbrogade 44 1, 1620 København V

CVR no. 33 15 68 98

Annual report for 2023

This annual report has been adopted at the annual general meeting on 30.06.24

Michael Valentin Erichsen

Chairman of the meeting

Table of contents

Group information etc.

The company

SIGNIFLY A/S
Vesterbrogade 44 1
1620 København V
Tel.: 60 66 31 10
Registered office: København V
CVR no.: 33 15 68 98
Financial year: 01.01 - 31.12

Executive Board

Michael Valentin Erichsen

Board of Directors

Alexander Spangtoft Spliid
Michael Valentin Erichsen
Patrick Lundstrøm Rønning

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

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

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for SIGNIFLY A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.23 and of the results of the group's and parent's activities for the financial year 01.01.23 - 31.12.23.

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, 2024

Executive Board

Michael Valentin Erichsen

Board of Directors

Alexander Spangtoft Spliid Chairman	Michael Valentin Erichsen	Patrick Lundstrøm Rønning

To the shareholder of SIGNIFLY A/S

Opinion

We have audited the consolidated financial statements and financial statements of SIGNIFLY A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies for the group as well as for the parent company. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.23 and of the results of the group's and the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and financial statements" section of our report. We are independent of the group and 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 responsibilities for the consolidated financial statements and financial statements

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

In preparing the consolidated financial statements and financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and financial statements

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

As part of an audit conducted in accordance with ISAs 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 consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 on the management's review

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and financial statements, it is our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 the management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Soeborg, Copenhagen, June 30, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Anders Flymer-Dindler
State Authorized Public Accountant
MNE-no. mne35423

Primary activities

Signifly is a digital agency servicing clients across Europe and North America from our locations in Copenhagen, Montreal and London. We specialize in transformational activities such as brand building, digital products, e-commerce and digital marketing. We provide both advisory services and executional capacity to effectively enable our client's businesses to achieve their desired goals.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a loss of DKK -89,515 against a profit of DKK 5,534,658 for the period 01.01.22 - 31.12.22. The results are in line with general industry trends for 2023, which were heavily influenced by insecurity and hesitation in the markets for digital agency services and similar agency/consulting services.

The result for 2023 is not considered to be satisfactory. A positive development in revenues and significant increase in profits is expected for the year 2024 and beyond.

The balance sheet shows equity of DKK 9,020,179 which is considered well-sufficient to sustain Signifly's future operation and growth.

Subsequent events

After the balance sheet date, the company has been changed to an A/S. Consequently, the share capital has been increased from DKKt 80 to DKKt 400. No other important events have occurred after the end of the financial year.

Income statement

Note		Group 2023 DKK	Group 2022 DKK	Parent 2023 DKK	Parent 2022 DKK
	Revenue	**57,106,211**	**50,689,374**	**36,237,776**	**35,818,578**
	Other operating income	0	0	1,057,903	0
	Other external expenses	-16,077,047	-11,991,721	-12,549,345	-10,570,769
	Gross profit	**41,029,164**	**38,697,653**	**24,746,334**	**25,247,809**
2	Staff costs	-40,647,708	-31,560,718	-24,801,783	-21,602,724
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**381,456**	**7,136,935**	**-55,449**	**3,645,085**
	Depreciation and impairments losses of property, plant and equipment	-608,069	-520,895	-474,794	-433,529
	Operating profit/loss	**-226,613**	**6,616,040**	**-530,243**	**3,211,556**
	Financial income	10,279	20,385	250	20,385
	Financial expenses	-52,897	-57,207	-20,877	-44,683
	Profit/loss before tax	**-269,231**	**6,579,218**	**-550,870**	**3,187,258**
	Tax on profit or loss for the year	179,716	-1,044,560	115,054	-543,214
	Profit/loss for the year	**-89,515**	**5,534,658**	**-435,816**	**2,644,044**

Proposed appropriation account

	Group 2023 DKK	Group 2022 DKK	Parent 2023 DKK	Parent 2022 DKK
Extraordinary dividend for the financial year	1,000,000	1,000,000	1,000,000	1,000,000
Non-controlling interests	535,555	1,474,213	0	0
Retained earnings	-1,625,070	3,060,445	-1,435,816	1,644,044
Total	**-89,515**	**5,534,658**	**-435,816**	**2,644,044**

Balance sheet

ASSETS

Note		Group 31.12.23 DKK	Group 31.12.22 DKK	Parent 31.12.23 DKK	Parent 31.12.22 DKK
	Leasehold improvements	392,929	338,037	392,929	338,037
	Other fixtures and fittings, tools and equipment	485,994	576,129	289,402	344,431
3	**Total property, plant and equipment**	**878,923**	**914,166**	**682,331**	**682,468**
4	Equity investments in group enterprises	0	0	35,190	0
4	Equity investments in associates	1,020,000	1,020,000	1,020,000	1,020,000
5	Receivables from associates	700,000	0	700,000	0
5	Deposits	733,533	628,190	563,214	523,027
	Total investments	**2,453,533**	**1,648,190**	**2,318,404**	**1,543,027**
	Total non-current assets	**3,332,456**	**2,562,356**	**3,000,735**	**2,225,495**
6	Work in progress for third parties	1,163,129	1,255,783	1,163,129	1,255,783
	Trade receivables	4,562,428	7,860,571	2,861,862	5,294,305
	Receivables from group enterprises	0	349,655	0	349,655
	Deferred tax asset	465,223	99,629	214,683	99,629
	Income tax receivable	408,095	0	186,000	43,178
	Other receivables	152,283	95,344	152,165	90,612
	Prepayments	37,621	189,625	35,097	166,972
	Total receivables	**6,788,779**	**9,850,607**	**4,612,936**	**7,300,134**
	Cash	**5,755,176**	**7,263,148**	**4,205,799**	**3,607,663**
	Total current assets	**12,543,955**	**17,113,755**	**8,818,735**	**10,907,797**
	Total assets	**15,876,411**	**19,676,111**	**11,819,470**	**13,133,292**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.23 DKK	31.12.22 DKK	31.12.23 DKK	31.12.22 DKK
	Contributed capital	80,000	80,000	80,000	80,000
	Foreign currency translation reserve	-79,768	-153,027	0	0
	Retained earnings	6,535,717	8,160,787	4,699,689	6,135,505
	Equity attributable to owners of the parent	**6,535,949**	**8,087,760**	**4,779,689**	**6,215,505**
7	Non-controlling interests	2,484,230	1,948,675	0	0
	Total equity	**9,020,179**	**10,036,435**	**4,779,689**	**6,215,505**
	Payables to other credit institutions	446,778	456,247	0	0
	Prepayments received from customers	1,680,344	4,559,958	1,946,432	3,633,978
	Trade payables	375,194	986,867	348,864	970,875
	Payables to group enterprises	0	0	680,096	0
	Income taxes	0	280,599	0	0
	Other payables	4,078,582	3,167,853	3,789,055	2,124,782
	Deferred income	275,334	188,152	275,334	188,152
	Total short-term payables	**6,856,232**	**9,639,676**	**7,039,781**	**6,917,787**
	Total payables	**6,856,232**	**9,639,676**	**7,039,781**	**6,917,787**
	Total equity and liabilities	**15,876,411**	**19,676,111**	**11,819,470**	**13,133,292**

8 Contingent liabilities
9 Charges and security

Statement of changes in equity

Figures in DKK	Contributed capital	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Group:						
Statement of changes in equity for 01.01.23 - 31.12.23						
Balance as at 01.01.23	80,000	-153,027	8,160,787	8,087,760	1,948,675	10,036,435
Foreign currency translation adjustment of foreign enterprises	0	73,259	0	73,259	0	73,259
Extraordinary dividend paid	0	0	-1,000,000	-1,000,000	0	-1,000,000
Net profit/loss for the year	0	0	-625,070	-625,070	535,555	-89,515
Balance as at 31.12.23	80,000	-79,768	6,535,717	6,535,949	2,484,230	9,020,179

Figures in DKK	Contributed capital	Foreign currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Parent:						
Statement of changes in equity for 01.01.23 - 31.12.23						
Balance as at 01.01.23	80,000	0	6,135,505	6,215,505	0	6,215,505
Extraordinary dividend paid	0	0	-1,000,000	-1,000,000	0	-1,000,000
Net profit/loss for the year	0	0	-435,816	-435,816	0	-435,816
Balance as at 31.12.23	80,000	0	4,699,689	4,779,689	0	4,779,689

1. Subsequent events

After the balance sheet date, the company has been changed to an A/S. Consequently, the share capital has been increased from DKKt 80 to DKKt 400. No other important events have occurred after the end of the financial year.

	Group		Parent	
	2023 DKK	2022 DKK	2023 DKK	2022 DKK
2. Staff costs				
Wages and salaries	38,118,835	29,260,697	22,312,136	19,302,702
Pensions	2,188,038	1,970,170	2,148,812	1,970,170
Other social security costs	340,835	329,851	340,835	329,852
Total	40,647,708	31,560,718	24,801,783	21,602,724
Average number of employees during the year	70	58	39	38

3. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Group:		
Cost as at 01.01.23	1,678,191	2,239,058
Additions during the year	283,487	209,208
Cost as at 31.12.23	1,961,678	2,448,266
Depreciation and impairment losses as at 01.01.23	-1,340,154	-1,582,798
Depreciation during the year	-228,595	-379,474
Depreciation and impairment losses as at 31.12.23	-1,568,749	-1,962,272
Carrying amount as at 31.12.23	392,929	485,994
Parent:		
Cost as at 01.01.23	1,678,191	1,795,622
Additions during the year	283,487	191,170
Cost as at 31.12.23	1,961,678	1,986,792
Depreciation and impairment losses as at 01.01.23	-1,340,154	-1,451,191
Depreciation during the year	-228,595	-246,199
Depreciation and impairment losses as at 31.12.23	-1,568,749	-1,697,390
Carrying amount as at 31.12.23	392,929	289,402

4. Equity investments

Figures in DKK	Equity investments in group enterprises	Equity investments in associates
Group:		
Cost as at 01.01.23	0	1,020,000
Cost as at 31.12.23	0	1,020,000
Carrying amount as at 31.12.23	0	1,020,000
Parent:		
Cost as at 01.01.23	0	1,020,000
Additions during the year	35,190	0
Cost as at 31.12.23	35,190	1,020,000
Carrying amount as at 31.12.23	35,190	1,020,000

Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK
Subsidiaries:			
Agence Digitale Signifly Inc., Canada	49%	4,871,040	1,097,919
Signifly Ltd., England	100%	-751,619	-751,619
Signifly AS, Norge	100%	0	0

The parent owns 49% of Agence Digitale Signifly Inc., but holds 51% of the voting rights through an ownership agreement with the other shareholders. Consequently, the parent exercises control of the company, and Agence Digitale Signifly Inc. is therefore classified as a subsidiary.

5. Other non-current financial assets

Figures in DKK	Receivables from associates	Deposits
Group:		
Cost as at 01.01.23	0	667,156
Additions during the year	700,000	66,377
Cost as at 31.12.23	700,000	733,533
Carrying amount as at 31.12.23	700,000	733,533
Parent:		
Cost as at 01.01.23	0	563,214
Additions during the year	700,000	0
Cost as at 31.12.23	700,000	563,214
Carrying amount as at 31.12.23	700,000	563,214

	Group		Parent	
	31.12.23 DKK	31.12.22 DKK	31.12.23 DKK	31.12.22 DKK
6. Work in progress for third parties				
Work in progress for third parties	1,163,129	1,255,783	1,163,129	1,255,783
7. Non-controlling interests				
Non-controlling interests, beginning of year	1,948,675	474,462	0	0
Net profit/loss for the year (distribution of net profit)	535,555	1,474,213	0	0
Total	2,484,230	1,948,675	0	0

8. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 3-12 months and total lease payments of DKK 1.610.512.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 3-12 months and total lease payments of DKK 797.166.

9. Charges and security

Parent:

As security for debt to credit institutions a company charge has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables as well as fuels and other ancillary materials. There are no other company charges in the group at 31 December 2023.

10. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for groups and enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds participating interests, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

Non-controlling interests

10. Accounting policies - continued -

The financial items of the subsidiaries are recognised in full in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in changes in control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

CURRENCY

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

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

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

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

LEASES

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

10. Accounting policies - continued -

INCOME STATEMENT

Revenue

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Other external expenses

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

Staff costs

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

Depreciation and impairment losses

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

	Useful lives, years	Residual value DKK
Leasehold improvements	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

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

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions

10. Accounting policies - continued -

denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

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

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise 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.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation 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 and associates

Equity investments in group enterprises

Equity investments in subsidiaries are measured at cost less any impairment losses in the balance sheet of the parent. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments in the balance sheet of the parent, while transaction costs are recognised in the income statement in the consolidated financial statements.

Equity investments in associates

Equity investments in associates are measured at cost less any impairment in the balance sheet of the parent. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

10. Accounting policies - continued -

In the consolidated financial statements, equity investments in associates are recognised and measured according to the equity method. For equity investments in associates, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Equity 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. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

Gains or losses on disposal of equity investments

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

Impairment losses on fixed assets

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

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.

If dividends are distributed on equity investments in subsidiaries and associates exceeding the year earnings from the enterprise in question, this is considered an indication of impairment.

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.

10. Accounting policies - continued -

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.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

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

Cash

Cash includes deposits in bank account.

10. Accounting policies - continued -

Equity

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.

Current and deferred tax

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

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

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

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

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

10. Accounting policies - continued -

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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Anders Flymer-Dindler
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