Sky.Garden ApS

c/o Nomi Holding ApS, Tranekærvej 9, 2665 Vallensbæk Strand

Company reg. no. 37 04 46 87

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 25 July 2022.

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Christian Bork Grubak
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 approved the annual report of Sky.Garden ApS for the financial year 1 January - 31 December 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

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

Vallensbæk, 25 July 2022

Managing Director

Martin Sassersen Majlund

Board of directors

Martin Sassersen Majlund	Christian Bork Grubak	Mathias Christian Dittrich
Uwe Stefan Schober		

Independent auditor's report

To the Shareholders of Sky.Garden ApS

Opinion

We have audited the financial statements of Sky.Garden ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. According to the budget for the remaining of 2022, the company has runway to Q4, 2022. It is a material condition for the company’s ability to continue as a going concern that the company is provided with the necessary liquidity from a new capital increase in accordance with management expectations. Our opinion is not modified in respect of this matter.

Management’s Responsibilities for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the financial statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that Management’s Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management’s Review.

Copenhagen, 25 July 2022

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen State Authorised Public Accountant mne34295	Peter Leth Keller State Authorised Public Accountant mne47790

Company information

The company	Sky.Garden ApS c/o Nomi Holding ApS, Tranekærvej 9 2665 Vallensbæk Strand	
	Company reg. no.	37 04 46 87
	Established:	20 August 2015
	Domicile:	Vallensbæk
	Financial year:	1 January - 31 December
Board of directors	Martin Sassersen Majlund Christian Bork Grubak Mathias Christian Dittrich Uwe Stefan Schober	
Managing Director	Martin Sassersen Majlund	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Subsidiary	One.Sky Garden Limited, Kenya	

Management´s review

The principal activities of the company

The company's main activity is to develop an online platform for merchants in East Africa that can trade with consumers on their own webshop on the Sky.Garden platform.

At present, the focus is on the Kenyan market. The company's Kenyan subsidiary is responsible for the operational operation of the platform.

Development in activities and financial matters

The gross loss for the year -9.323 T.DKK against -5.811 T.DKK last year. Management considers the net loss for the year as expected.

In June 2021, the company has completed a capital increase of 23.100 T.DKK. Hereof, the 6.200 T.DKK is paid in by cash and the 16.900 T.DKK is a debt conversion.

As the equity represents less than half of the subscribed capital, the Company is subject to the Danish Companies Act section 119 regarding loss of capital. The capital is recover by completing a capital increase with cash deposits and converting subordinate loan capital in May 2022.

Management refers to note 1 in the annual accounts, in which the management describes the company's financial situation.

Events occurring after the end of the financial year

The company has completed two capital increases of respectively 7.200 T.DKK and 6.900 T.DKK in 2022. Hereof, the 7.900 T.DKK is paid in by cash and the 6.200 T.DKK is a debt conversion.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross loss	**-1.714.101**	**-893.844**
2	Staff costs	-725.490	-741.459
	Amortisation and impairment of intangible assets	-698.456	-411.732
	Operating profit	**-3.138.047**	**-2.047.035**
	Income from investments in subsidiaries	-5.878.897	-3.031.764
	Other financial income	284.880	1.145
3	Other financial expenses	-591.013	-1.044.131
	Pre-tax net profit or loss	**-9.323.077**	**-6.121.785**
4	Tax on net profit or loss for the year	0	311.256
	Net profit or loss for the year	**-9.323.077**	**-5.810.529**
	Proposed appropriation of net profit:		
	Reserves for net revaluation according to the equity method	74.219	177.245
	Transferred to other statutory reserves	-544.796	797.074
	Allocated from retained earnings	-8.852.500	-6.784.848
	Total allocations and transfers	**-9.323.077**	**-5.810.529**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2021	2020
	Non-current assets		
5	Completed development projects, including patents and similar rights arising from development projects	2.301.736	3.000.192
	Total intangible assets	2.301.736	3.000.192
6	Investments in subsidiaries	4.013.590	278.400
	Total investments	4.013.590	278.400
	Total non-current assets	**6.315.326**	**3.278.592**
	Current assets		
	Receivables from subsidiaries	86.000	0
	Income tax receivables	0	591.513
	Other receivables	33.727	0
	Total receivables	119.727	591.513
	Cash and cash equivalents	3.173.736	913.436
	Total current assets	**3.293.463**	**1.504.949**
	Total assets	**9.608.789**	**4.783.541**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		2021	2020
	Equity		
	Contributed capital	160.455	60.226
	Reserve for development costs	1.795.354	2.340.150
	Retained earnings	-7.325.605	-21.437.921
	Total equity	**-5.369.796**	**-19.037.545**
	Liabilities other than provisions		
	Other mortgage loans	7.174.737	7.598.471
	Convertible and profit sharing debt instruments	0	15.854.300
7	Total long term liabilities other than provisions	7.174.737	23.452.771
7	Current portion of long term liabilities	567.404	0
	Trade payables	688.443	170.544
	Payables to shareholders and management	6.429.723	0
	Other payables	118.278	197.771
	Total short term liabilities other than provisions	7.803.848	368.315
	Total liabilities other than provisions	**14.978.585**	**23.821.086**
	Total equity and liabilities	**9.608.789**	**4.783.541**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

8 Charges and security

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Reserve for net revalua-tion according to the eq-uity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2020	60.226	0	0	1.543.076	-14.653.073	-13.049.771
Exchange rate adjustments	0	0	-177.245	0	0	-177.245
Share of results	0	0	177.245	797.074	-6.784.848	-5.810.529
Equity 1 January 2021	60.226	0	0	2.340.150	-21.437.921	-19.037.545
Cash capital increase	100.229	22.964.816	0	0	0	23.065.045
Exchange rate adjustments	0	0	-74.219	0	0	-74.219
Share of results	0	0	74.219	-544.796	-8.852.500	-9.323.077
Transferred to retained earnings	0	-22.964.816	0	0	22.964.816	0
	160.455	**0**	**0**	**1.795.354**	**-7.325.605**	**-5.369.796**

Notes

All amounts in DKK.

		2021	2020

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company has incurred a net loss of 9.323 T.DKK during the year ended 31 December 2021. The Sky.Garden Group is still not cash positive in 2022 when the financial statements are issued, and therefore the liquidity is tight.

To ensure the necessary liquidity to finance the planned activities for 2022, the company has completed two capital increases of respectively 7.200 T.DKK and 6.900 T.DKK in 2022. Hereof, the 7.900 T.DKK is paid in by cash and the 6.200 T.DKK is a debt conversion.

According to the budget for the remaining of 2022, the company has runway to Q4, 2022. It is a material condition for the company's ability to continue as a going concern that the company is provided with the necessary liquidity from a new capital increase in accordance with management expectations.

Based on the above actions and assumptions, Management expects to have the necessary liquidity to finance the planned activities for the coming year. The financial statements have been prepared in accordance with the going concern principle.

2. Staff costs

	2021	2020
Salaries and wages	713.341	727.835
Other costs for social security	12.149	13.624
	725.490	**741.459**
Average number of employees	2	2

3. Other financial expenses

	2021	2020
Other financial costs	591.013	1.044.131
	591.013	**1.044.131**

4. Tax on net profit or loss for the year

	2021	2020
Tax of the results for the year, parent company	0	-315.397
Adjustment of tax for previous years	0	4.141
	0	**-311.256**

Notes

All amounts in DKK.

		31/12 2021	31/12 2020
5.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2021	3.492.283	2.058.661
	Additions during the year	0	1.433.622
	Cost 31 December 2021	**3.492.283**	**3.492.283**
	Amortisation and writedown 1 January 2021	-492.091	-80.359
	Amortisation for the year	-698.456	-411.732
	Amortisation and writedown 31 December 2021	**-1.190.547**	**-492.091**
	Carrying amount, 31 December 2021	**2.301.736**	**3.000.192**
6.	**Investments in subsidiaries**		
	Acquisition sum, opening balance 1 January 2021	11.353.499	7.881.270
	Additions during the year	9.688.306	3.472.229
	Cost 31 December 2021	**21.041.805**	**11.353.499**
	Revaluations, opening balance 1 January 2021	-11.075.099	-7.866.090
	Translation to the exchange rate at end of year	-74.219	-177.245
	Results for the year before goodwill amortisation	-4.813.183	-2.666.494
	Amortisation of goodwill for the year	-1.065.714	-365.270
	Revaluation 31 December 2021	**-17.028.215**	**-11.075.099**
	Carrying amount, 31 December 2021	**4.013.590**	**278.400**

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	**Equity**	**Results for the year**	**Carrying amount, Sky.Garden ApS**
One.Sky Garden Limited, Kenya	89 %	4.509.652	-5.408.070	4.013.590

All amounts in DKK.

7. Long term labilities other than provisions

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Other mortgage loans	7.742.141	567.404	7.174.737	0
	7.742.141	**567.404**	**7.174.737**	**0**

8. Charges and security

As collateral for mortgage loans, T.DKK 3.963, security has been granted on development projects representing a carrying amount of T.DKK 2.302 at 31 December 2021.

Accounting policies

The annual report for Sky.Garden ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

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.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross loss

Gross loss comprises the revenue, cost of sales, other operating income, and other external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue consists of service fees from the use of the company’s intangible assets. Revenue is recognized in the accounting period in which the services are rendered on a monthly basis over the contract term.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, 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 on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

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.

Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post-tax profit or loss.

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

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 5 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 are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Impairment loss relating to non-current assets

The carrying amount of both intangible and equity investments in group 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.

Receivables

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

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the 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.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

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

Convertible and profit sharing debt instruments

Convertible bonds are issued at a fixed conversion price and is regarded as composite instruments comprising a financial liability measured at amortised cost and an equity instrument in the form of the integral conversion right. Fair value of the financial liability is determined on the date of issue by applying a market rate for a similar non-convertible debt instrument. The difference between the proceeds from issuing the convertible debt instrument and the fair value of the financial liability, corresponding to the integral option to convert the liability to shareholders' equity, is recognised directly in the shareholders' equity. The value of the financial liability is recognised as long-term debts and subsequently measured at amortised cost. When extending convertible bonds, a calculation is made at amortised cost relative to the extension. Any difference is recognised in the income statement.