

Chainalysis ApS

Strandgade 4, 5., 1401 Copenhagen

Company reg. no. 39 22 12 33

Annual report

1 February 2023 - 31 January 2024

The annual report was submitted and approved by the general meeting on the 10 July 2024.

Michael Peter Grønager
Chairman of the meeting

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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 Managing Director has approved the annual report of Chainalysis ApS for the financial year 1 February 2023 - 31 January 2024.

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

I consider the chosen accounting policy to be appropriate, and in my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 January 2024 and of the results of the Company's operations and cash flows for the financial year 1 February 2023 – 31 January 2024.

Further, in my 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.

Copenhagen, 10 July 2024

Managing Director

Michael Peter Grønager

Independent auditor's report

To the Shareholder of Chainalysis ApS

Opinion

We have audited the financial statements of Chainalysis ApS for the financial year 1 February 2023 - 31 January 2024, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows, 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 January 2024, and of the results of the Company's operations and cash flows for the financial year 1 February 2023 - 31 January 2024 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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.

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:

Independent auditor's report

- 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.

Independent auditor's report

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, 10 July 2024

BUUS JENSEN

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

Michael Markussen

State Authorised Public Accountant
mne34295

Company information

The company

Chainalysis ApS
Strandgade 4, 5.
1401 Copenhagen

Company reg. no. 39 22 12 33
Established: 1 January 2018
Domicile: Copenhagen
Financial year: 1 February - 31 January

Managing Director

Michael Peter Grønager

Auditors

BUUS JENSEN, Statsautoriserede revisorer

Parent company

Chainalysis Inc

Financial highlights

DKK in thousands.	<u>2023/24</u>	<u>2022/23</u>
Income statement:		
Gross profit	86.479	83.048
Profit from operating activities	13.703	9.253
Net financials	-437	-749
Net profit or loss for the year	6.758	4.244
Statement of financial position:		
Balance sheet total	45.033	38.404
Investments in property, plant and equipment	1.073	4.901
Equity	19.612	12.854
Cash flows:		
Operating activities	4.071	9.356
Investing activities	-1.095	-5.048
Financing activities	-819	2.563
Total cash flows	2.157	6.871
Employees:		
Average number of full-time employees	54	51
Key figures in %:		
Acid test ratio	153,7	128,5
Solvency ratio	43,6	33,5
Return on equity	41,6	66,0

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 overview of key figures and main financial data includes the financial years 2023/24 and 2022/23, as the company entered accounting class C medium of the Financial Statements Act for the financial year 2023/24

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

Acid test ratio	$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management's review

The principal activities of the company

The company's activities consist of conducting business with development and sale of software for combating money laundering and digital currency fraud and other related activities. The revenue streams mainly come from group internal work and secondary from external customers in the European market.

The company is part of the Chainalysis Group, which is based in the USA via the parent company Chainalysis, Inc. Chainalysis helps government agencies, cryptocurrency businesses, and financial institutions confidently engage with cryptocurrency.

Development in activities and financial matters

The gross profit for the year totals DKK 86.479.000 against DKK 83.048.000 last year. Income or loss from ordinary activities after tax totals DKK 6.758.000 against DKK 4.244.000 last year. Management considers the net profit or loss for the year satisfactory.

The activities and profits have increased in accordance with the expectations for the financial year.

Financial risks and the use of financial instruments

Foreign currency risks

Revenue streams are foremost in DKK and EUR, and costs are mainly in DKK. The company does not hedge foreign currency risks.

Interest rate risks

The company has no significant interest-bearing debt, so changes in the interest rate level will not significantly affect earnings.

Credit risks

The company assesses the credit status of new customers and where needed existing customers using standardized procedures. Where necessary advice is obtained from external credit reference agencies.

The company has no significant risks regarding individual customers or business partners.

Environmental issues

The company does not have a general environmental policy. We are trying to decrease the unnecessary power usage.

Know how resources

Attracting and retaining a highly educated workforce is important for Chainalysis' continued growth. To ensure high and competitive product quality, the company uses the most modern and automated processes in the industry. This requires a high level of competence, and therefore, significant resources are invested in further training of the company's employees.

Research and development activities

The company's R&D activities involve software development for Chainalysis Inc. Expenses are recorded in the income statement, and the value of the work is invoiced to Chainalysis Inc.

Management's review

Expected developments

Management expects the same level of activities and net profit for the year 2024/25 in the same range as for 2023/24.

Income statement 1 February - 31 January

All amounts in DKK.

<u>Note</u>	<u>2023/24</u>	<u>2022/23</u>
Gross profit	86.478.990	83.048.183
1 Staff costs	-71.129.361	-72.694.863
Depreciation and impairment of property, land, and equipment	<u>-1.646.562</u>	<u>-1.100.317</u>
Operating profit	13.703.067	9.253.003
Other financial income	2.000	58
2 Other financial costs	<u>-438.576</u>	<u>-748.931</u>
Pre-tax net profit or loss	13.266.491	8.504.130
3 Tax on net profit or loss for the year	<u>-6.508.717</u>	<u>-4.260.181</u>
4 Net profit or loss for the year	<u>6.757.774</u>	<u>4.243.949</u>

Balance sheet at 31 January

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Assets		
Non-current assets		
5 Other fixtures and fittings, tools and equipment	1.403.022	1.641.540
6 Right-of-use assets	1.406.678	2.089.661
Total property, plant, and equipment	2.809.700	3.731.201
7 Deposits	4.052.971	3.765.590
Total investments	4.052.971	3.765.590
Total non-current assets	6.862.671	7.496.791
Current assets		
Trade receivables	262.671	3.132.776
Receivables from group enterprises	23.548.352	13.443.832
8 Deferred tax assets	232.000	165.000
Other receivables	189.265	234.821
9 Prepayments and accrued income	875.490	3.025.337
Total receivables	25.107.778	20.001.766
Cash on hand and demand deposits	13.062.467	10.905.592
Total current assets	38.170.245	30.907.358
Total assets	45.032.916	38.404.149

Balance sheet at 31 January

All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
Equity and liabilities		
Equity		
Contributed capital	50.000	50.000
Retained earnings	19.561.559	12.803.785
Total equity	19.611.559	12.853.785
Liabilities other than provisions		
Lease liabilities	584.579	1.505.742
10 Total long term liabilities other than provisions	584.579	1.505.742
10 Current portion of long term liabilities	786.637	672.062
Bank loans	436.101	448.463
Trade payables	8.022.913	6.631.663
Income tax payable	1.818.612	4.135.700
Other payables	10.256.815	8.186.855
11 Accruals and deferred income	3.515.700	3.969.879
Total short term liabilities other than provisions	24.836.778	24.044.622
Total liabilities other than provisions	25.421.357	25.550.364
Total equity and liabilities	45.032.916	38.404.149
12 Contingencies		
13 Related parties		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 February 2022	50.000	8.559.836	8.609.836
Retained earnings for the year	0	4.243.949	4.243.949
Equity 1 February 2022	50.000	12.803.785	12.853.785
Retained earnings for the year	0	6.757.774	6.757.774
	50.000	19.561.559	19.611.559

Statement of cash flows 1 February - 31 January

All amounts in DKK.

<u>Note</u>	<u>2023/24</u>	<u>2022/23</u>
Net profit or loss for the year	13.703.066	9.253.003
14 Adjustments	15.165.822	11.002.109
15 Change in working capital	-15.750.284	-9.782.967
Cash flows from operating activities before net financials	13.118.604	10.472.145
Interest received, etc.	2.000	58
Interest paid, etc.	-157.147	-188.174
Cash flows from ordinary activities	12.963.457	10.284.029
Income tax paid	-8.892.805	-927.749
Cash flows from operating activities	4.070.652	9.356.280
Purchase of property, plant, and equipment	-1.073.283	-2.443.141
Sale of property, plant, and equipment	265.837	1.089.763
Purchase of right-of-use assets	0	-2.457.449
Change in deposits	-287.381	-1.237.141
Cash flows from investment activities	-1.094.827	-5.047.968
Change in lease liabilities	-806.588	2.177.804
Changes in short-term bank loans	-12.362	384.806
Cash flows from financing activities	-818.950	2.562.610
Change in cash and cash equivalents	2.156.875	6.870.922
Cash and cash equivalents at 1 February 2023	10.905.592	4.034.670
Cash and cash equivalents at 31 January 2024	13.062.467	10.905.592
Cash and cash equivalents		
Cash on hand and demand deposits	13.062.467	10.905.592
Cash and cash equivalents at 31 January 2024	13.062.467	10.905.592

Notes

All amounts in DKK.

	<u>2023/24</u>	<u>2022/23</u>
1. Staff costs		
Salaries and wages	68.565.317	70.486.536
Pension costs	1.979.102	2.019.776
Other costs for social security	584.942	188.551
	<u>71.129.361</u>	<u>72.694.863</u>
Average number of employees	<u>54</u>	<u>51</u>
Chainalysis ApS is a subsidiary of Chainalysis Inc., USA. Chainalysis Inc. has issued stock options under their Incentive Compensation Plan to employees of Chainalysis ApS. The eligible employees of Chainalysis ApS are granted options to purchase common stock shares of Chainalysis Inc. Options and the option exercise price per share are approved by the Board of Directors of Chainalysis Inc. The options vest over a period of four years after the date granted. Options granted to employees are exercisable for a period up to ten years after the vesting of such options. The share-based remuneration is recognized in the income statement as salary costs when the options are exercised.		
2. Other financial costs		
Other financial costs	438.576	748.931
	<u>438.576</u>	<u>748.931</u>
3. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	6.090.612	4.265.700
Adjustment of deferred tax for the year	-67.000	-221.268
Adjustment of tax for previous years	485.105	215.749
	<u>6.508.717</u>	<u>4.260.181</u>
4. Proposed distribution of net profit		
Transferred to retained earnings	6.757.774	4.243.949
Total allocations and transfers	<u>6.757.774</u>	<u>4.243.949</u>

Notes

All amounts in DKK.

5. Other fixtures and fittings, tools and equipment

Cost 1 February 2023	3.517.479	2.162.852
Additions during the year	1.073.283	2.443.141
Disposals during the year	<u>-1.612.334</u>	<u>-1.088.514</u>
Cost 31 January 2024	<u>2.978.428</u>	<u>3.517.479</u>
Depreciation and writedown 1 February 2023	-1.875.939	-1.143.961
Amortisation and depreciation for the year	-963.578	-731.978
Reversal of depreciation, amortisation and impairment loss, assets disposed of	<u>1.264.111</u>	<u>0</u>
Depreciation and writedown 31 January 2024	<u>-1.575.406</u>	<u>-1.875.939</u>
Carrying amount, 31 January 2024	<u>1.403.022</u>	<u>1.641.540</u>

6. Right-of-use assets

Cost 1 February 2023	2.457.449	0
Additions during the year	<u>0</u>	<u>2.457.449</u>
Cost 31 January 2024	<u>2.457.449</u>	<u>2.457.449</u>
Depreciation and write-down 1 February 2023	-367.788	0
Amortisation and depreciation for the year	<u>-682.983</u>	<u>-367.788</u>
Depreciation and write-down 31 January 2024	<u>-1.050.771</u>	<u>-367.788</u>
Carrying amount, 31 January 2024	<u>1.406.678</u>	<u>2.089.661</u>
Lease assets are recognised at a carrying amount of	<u>1.406.678</u>	<u>2.089.661</u>

7. Deposits

Cost 1 February 2023	3.765.590	2.528.449
Additions during the year	<u>287.381</u>	<u>1.237.141</u>
Cost 31 January 2024	<u>4.052.971</u>	<u>3.765.590</u>
Carrying amount, 31 January 2024	<u>4.052.971</u>	<u>3.765.590</u>

Notes

All amounts in DKK.

	<u>31/1 2024</u>	<u>31/1 2023</u>		
8. Deferred tax assets				
Deferred tax assets 1 February 2023	232.000	-56.268		
Deferred tax of the net profit or loss for the year	<u>0</u>	<u>221.268</u>		
	<u>232.000</u>	<u>165.000</u>		
9. Prepayments and accrued income				
Prepaid expenses	<u>875.490</u>	<u>3.025.337</u>		
	<u>875.490</u>	<u>3.025.337</u>		
10. Long term liabilities other than provisions				
	Total payables 31 Jan 2024	Current portion of long term payables	Long term payables 31 Jan 2024	Outstanding payables after 5 years
Lease liabilities	<u>1.371.216</u>	<u>786.637</u>	<u>584.579</u>	<u>0</u>
	<u>1.371.216</u>	<u>786.637</u>	<u>584.579</u>	<u>0</u>
11. Accruals and deferred income				
Accrued income			<u>3.515.700</u>	<u>3.969.879</u>
			<u>3.515.700</u>	<u>3.969.879</u>
12. Contingencies				
Contingent liabilities				
				31/1 2024 DKK in thousands
Lease liabilities				<u>970.000</u>
Total contingent liabilities				<u>970.000</u>

Notes

All amounts in DKK.

13. Related parties

Controlling interest

Chainalysis Inc., 43 west 23rd street, 6., NY 10010, USA

Majority shareholder

Transactions

Transactions with related parties are not disclosed, as all transactions have been carried out on fair market terms.

Consolidated financial statements

The company is included in the consolidated financial statements of the Ultimate parent company, Chainalysis Inc., 114 5th Ave., 19th Floor, New York, NY 10011, USA.

14. Adjustments

Depreciation, amortisation, and impairment	1.646.562	1.100.317
Loss from disposal of non-current assets	82.386	-1.250
Share-based payments	13.436.874	9.903.042
	<u>15.165.822</u>	<u>11.002.109</u>

15. Change in working capital

Change in receivables	-18.757.314	-22.202.847
Change in trade payables and other payables	3.007.030	12.419.880
	<u>-15.750.284</u>	<u>-9.782.967</u>

Accounting policies

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

Accounting policies

Share-based payment

Chainalysis ApS is a subsidiary of Chainalysis Inc., USA. Chainalysis Inc. has issued stock options under their Incentive Compensation Plan to employees of Chainalysis ApS. The eligible employees of Chainalysis ApS are granted options to purchase common stock shares of Chainalysis Inc. Options and the option exercise price per share are approved by the Board of Directors of Chainalysis Inc. The options vest over a period of four years after the date granted. Options granted to employees are exercisable for a period up to ten years after the vesting of such options. The share-based remuneration is recognized in the income statement as salary costs over the vesting period, and the corresponding entry is in liabilities.

Income statement

Gross profit

Gross profit comprises the revenue, other operating income, and external costs.

The enterprise will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Revenue from service contracts is recognised on a linear basis over the period during which the service is performed.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external costs comprise costs incurred for production, distribution, sales, advertising, administration, premises and loss on receivables.

Staff costs

Staff costs include salaries and wages, including holiday allowances, share-based payments, pensions, and other social security costs, etc., for staff members.

Share-based payments are granted as part of the long-term incentive programme.

Accounting policies

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

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

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 and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0%

Accounting policies

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.

Right-of-use assets

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 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.

Accounting policies

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.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

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.

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.

Accounting policies

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.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

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.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under "Interest income and dividend received".

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.