Agreena ApS

Langebrogade 3F, 3., DK-1411 København K

Annual Report for 1 January - 31 December 2023

CVR No 39 46 72 75

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/5 2024

Flemming Pristed
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Agreena ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 6 May 2024

Executive Board

Simon Haldrup
CEO

Julie Karl Karamello Koch Fahler
Executive Officer

Board of Directors

Jytte Rosenmaj
Chairman

Eric Alan Rapp

Julie Karl Karamello Koch Fahler

Simon Haldrup

Sara Sande

Cameron McLain

Tatiana Shalalvand

Independent Auditor's Report

To the Shareholders of Agreena ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Agreena ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Group 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.

Emphasis of Matter
Without modifying our opinion, we draw attention to note 1 to the Financial Statements describing the significant uncertainty that is linked to the pricing assumption related to revenue recognition of issuance fee.

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 Financials Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 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 Financial Statements unless Management either intends to liquidate the Group or 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 judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of 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 and the Group's internal control.

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

Independent Auditor's Report

- 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 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 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 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.

- 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.

Hellerup, 6 May 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Flemming Eghoff	Peter Nissen
state authorized public accountant	state authorized public accountant
mne30221	mne33260

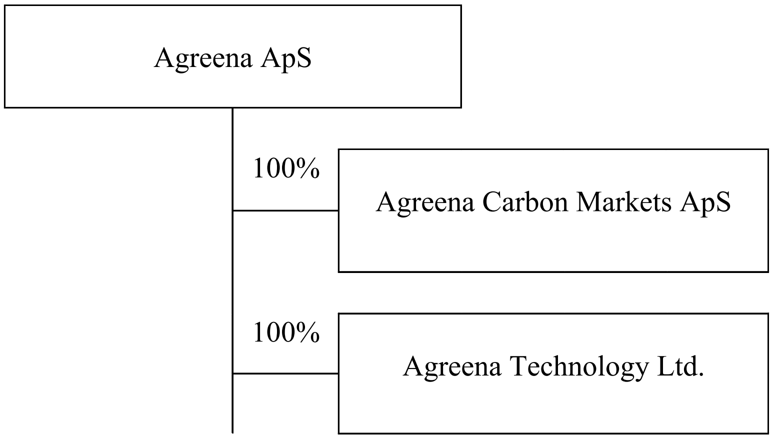
Company Information

The Company	Agreena ApS Langebrogade 3F, 3. DK-1411 København K CVR No: 39 46 72 75 Financial period: 1 January - 31 December Municipality of reg. office: København K
Board of Directors	Jytte Rosenmaj, Chairman Eric Alan Rapp Julie Karl Karamello Koch Fahler Simon Haldrup Sara Sande Cameron McLain Tatiana Shalalvand
Executive Board	Simon Haldrup Julie Karl Karamello Koch Fahler
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Group Chart

Parent Company

Consolidated subsidiaries



Financial Highlights

Seen over a two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2023	2022
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	63.956	-1.785
Profit/loss before financial income and expenses	-32.681	-43.144
Net financials	4.155	-3.439
Net profit/loss for the year	-28.487	-43.149
Balance sheet		
Balance sheet total	542.754	197.231
Equity	462.310	119.091
Cash flows		
Cash flows from:		
- operating activities	-274.879	-102.964
- investing activities	-11.818	-8.098
including investment in property, plant and equipment	-700	-243
- financing activities	409.498	149.867
Change in cash and cash equivalents for the year	122.801	38.805
Number of employees	128	55
Ratios		
Return on assets	-6,0%	-21,9%
Solvency ratio	85,2%	60,4%
Return on equity	-9,8%	-72,5%

In connection with changes to accounting policies, the comparative figures back to 2022 have not been restated. See the description under accounting policies.

Management's Review

Business activities

The Company's principal activities comprise the operation of a digital trading platform and related activities.

Development in the year

The income statement of the Group for 2023 shows a loss of TDKK 28,487, and at 31 December 2023 the balance sheet of the Group shows equity of TDKK 462,310.

Market development

The voluntary carbon market (VCM) has seen rapid growth in recent years as more companies and organizations seek to address their carbon footprint and meet sustainability goals. The market continues to evolve and innovate, with increased requirements and new standards emerging to address issues on transparency and credibility. Soil based carbon credits are a high-quality type of carbon credit that represent the reduction or removal of CO_2 from the atmosphere using agricultural practices that increase soil carbon sequestration. The market for these credits is in the early stages with turn-over being low and market pricing not being fully developed. Agreena's financials does to a certain degree depend on and correlate to the overall development of the VCM (see note 1). During the last few years, the market has developed rapidly and gradually increasing trade of certificates is seen, which is expected to reduce uncertainty about pricing.

Expectations to 2024

Management expects that the VCU market will further develop and solidify during 2024 with an increase in trade of certificates.

Knowledge resources

The leading market position in the evolving voluntary carbon market (VCM) means that the Group is in a highly dynamic knowledge environment with constant changes. This puts a greater demand on the company when it comes to gathering and disseminating new knowledge, and new solutions are marked by a complexity where the individual employees' knowledge plays a large role.

During the year, there have been a significant increase in competent and experienced employees, which has strengthened the Group's knowledge and skills.

The central business processes of the group are of high quality and in a high technological stage. The research and development and technical departments of the Group contains a total of 53 employees per 31 December 2023.

Management's Review

Subsequent events

Agreena purchased the UK-based company Field Margin Limited in February 2024. The purchase will enhance Agreena's capabilities and solidify leading market position.

No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**63.956**	**-1.785**	**48.111**	**-7.445**
Staff expenses	3	-94.517	-40.544	-74.002	-30.364
Depreciation, amortisation and impairment of property, plant and equipment		-2.016	-813	-315	-113
Other operating expenses		-104	-2	-104	0
Profit/loss before financial income and expenses		**-32.681**	**-43.144**	**-26.310**	**-37.922**
Financial income	4	9.035	235	12.254	614
Financial expenses	5	-4.880	-3.674	-4.561	-3.367
Profit/loss before tax		**-28.526**	**-46.583**	**-18.617**	**-40.675**
Tax on profit/loss for the year	6	39	3.434	-5.283	3.434
Net profit/loss for the year		**-28.487**	**-43.149**	**-23.900**	**-37.241**

Distribution of profit

Proposed distribution of profit

Retained earnings	-23.900	-37.241
	-23.900	**-37.241**

Balance Sheet 31 December

Assets

	Note	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
		TDKK	TDKK	TDKK	TDKK
Completed development projects		1.031	0	1.031	0
Acquired other similar rights		16.982	7.343	16.134	0
Intangible assets	7	**18.013**	**7.343**	**17.165**	**0**
Leasehold improvements		682	514	295	212
Property, plant and equipment	8	**682**	**514**	**295**	**212**
Investments in subsidiaries	9	0	0	41	41
Deposits		3.113	1.112	2.770	1.112
Fixed asset investments		**3.113**	**1.112**	**2.811**	**1.153**
Fixed assets		**21.808**	**8.969**	**20.271**	**1.365**
Inventories		**103.833**	**11.476**	**24.698**	**11.476**
Trade receivables		1.878	7.758	655	0
Receivables from group enterprises		0	0	142.354	26.870
Other receivables		19.481	55.331	4.405	53.479
Corporation tax, tax credit scheme		5.322	3.434	0	3.434
Prepayments	10	206.215	48.847	205.395	48.594
Receivables		**232.896**	**115.370**	**352.809**	**132.377**
Cash at bank and in hand		**184.217**	**61.416**	**177.193**	**57.959**
Currents assets		**520.946**	**188.262**	**554.700**	**201.812**
Assets		**542.754**	**197.231**	**574.971**	**203.177**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2023	2022	2023	2022
		TDKK	TDKK	TDKK	TDKK
Share capital	11	389	264	389	264
Reserve for exchange rate conversion		-780	0	0	0
Retained earnings		462.701	118.827	472.935	124.735
Equity		**462.310**	**119.091**	**473.324**	**124.999**
Credit institutions		37.273	0	37.273	0
Other payables		13.212	11.971	13.212	11.971
Long-term debt	12	**50.485**	**11.971**	**50.485**	**11.971**
Convertible instruments of debt		0	50.122	0	50.122
Trade payables		11.213	12.522	16.887	11.954
Payables to group enterprises		0	0	25.601	1.134
Other payables	12	15.303	1.985	5.231	1.457
Deferred income		3.443	1.540	3.443	1.540
Short-term debt		**29.959**	**66.169**	**51.162**	**66.207**
Debt		**80.444**	**78.140**	**101.647**	**78.178**
Liabilities and equity		**542.754**	**197.231**	**574.971**	**203.177**
Uncertainty related to revenue recognition	1				
Subsequent events	2				
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Accounting Policies	16				

Statement of Changes in Equity

Group

	Share capital	Share premium account	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	264	0	-245	119.087	119.106
Capital increase	125	372.101	0	0	372.226
Exchange adjustments relating to foreign entities	0	0	-535	0	-535
Net profit/loss for the year	0	0	0	-28.487	-28.487
Transfer from share premium account	0	-372.101	0	372.101	0
Equity at 31 December	**389**	**0**	**-780**	**462.701**	**462.310**

Parent Company

	Share capital	Share premium account	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	264	0	0	124.734	124.998
Capital increase	125	372.101	0	0	372.226
Net profit/loss for the year	0	0	0	-23.900	-23.900
Transfer from share premium account	0	-372.101	0	372.101	0
Equity at 31 December	**389**	**0**	**0**	**472.935**	**473.324**

Cash Flow Statement 1 January - 31 December

	Note	Group 2023	Group 2022
		TDKK	TDKK
Net profit/loss for the year		-28.487	-43.149
Adjustments		315	105
Change in working capital	13	-245.005	-59.915
Cash flows from operating activities before financial income and expenses		**-273.177**	**-102.959**
Financial income		9.024	163
Financial expenses		-5.404	-3.602
Cash flows from ordinary activities		**-269.557**	**-106.398**
Corporation tax paid		-5.322	3.434
Cash flows from operating activities		**-274.879**	**-102.964**
Purchase of intangible assets		-11.118	-7.814
Purchase of property, plant and equipment		-700	-243
Business acquisition		0	-41
Cash flows from investing activities		**-11.818**	**-8.098**
Raising of loans from credit institutions		37.273	0
Cash capital increase		372.225	149.867
Cash flows from financing activities		**409.498**	**149.867**
Change in cash and cash equivalents		**122.801**	**38.805**
Cash and cash equivalents at 1 January		61.416	22.611
Cash and cash equivalents at 31 December		**184.217**	**61.416**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		184.217	61.416
Cash and cash equivalents at 31 December		**184.217**	**61.416**

Notes to the Financial Statements

1 Uncertainty related to revenue recognition

As mentioned in “Managements Review” (page 8) the Voluntary Carbon Market (VCM) is developing and uncertainties remain in terms of standards, turnover and pricing.The market for these credits is in the early stages with turn-over being low and market pricing not being fully developed. Agreena’s financials does to a certain degree depend on and correlate to the overall development of the VCM. During the past few years, the market has developed rapidly and gradually increasing trade of certificates is seen, which is expected to reduce uncertainty about pricing.

According to management and the board of Directors, the Company has in their estimation of sales price taken following factors into consideration:

- Current sales agreements (binding and non-binding)
- Acquisition prices for unissued certificates
- Publicly available pricing data from competitors
- Other public available market data

Due to the above-mentioned factors, there are significant uncertainties related to the revenue recognition. However, Management assesses that the assumptions applied provide “best estimate” for the recognition and correlates with the market prices. In relation to the financial statements for 2023 above assumptions and estimates are relevant for recognition of service fee (issuance income) as the fee is not paid in cash but consists of a share of the certificates issued, currently recognized on the balance sheet as “Prepayments”. A change in assumed pricing assumption with 5 percent will have an impact on revenue of (harvest year) 2023 of approx. DKK 7.8m and an impact on prepayments/accrued revenue of approx. DKK 10.3m.

2 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

	Group		Parent Company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
3 Staff expenses				
Wages and salaries	86.740	38.529	69.731	29.382
Pensions	4.345	888	3.665	772
Other social security expenses	3.432	1.127	606	210
	94.517	**40.544**	**74.002**	**30.364**
Including remuneration to the Executive Board and Board of Directors	**3.978**	**2.718**	**3.978**	**2.718**
Average number of employees	**128**	**55**	**93**	**47**

The incentive scheme offered to the key employees of Agreena ApS includes the issuance of a total 38,779 warrants with the right to subscribe for up to nominal EUR 380 (weighted average), respectively, A-shares in the Company without pre-emption right for the Company's key employees.

Incentive programmes are not recognised in the Financial Statements.

4 Financial income

	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Interest received from group enterprises	0	0	3.966	557
Other financial income	5.779	3	5.676	3
Exchange adjustments	2.969	126	2.519	20
Exchange gains	287	106	93	34
	9.035	**235**	**12.254**	**614**

Notes to the Financial Statements

	Group		Parent Company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

5 Financial expenses

Other financial expenses	2.632	1.534	2.564	1.518
Exchange adjustments, expenses	759	1.557	508	1.266
Exchange loss	1.489	583	1.489	583
	4.880	**3.674**	**4.561**	**3.367**

6 Tax on profit/loss for the year

Current tax for the year	-5.322	-3.434	0	-3.434
Adjustment of tax concerning previous years	5.283	0	5.283	0
	-39	**-3.434**	**5.283**	**-3.434**

7 Intangible assets

Group

	Completed development projects	Acquired other similar rights
	TDKK	TDKK
Cost at 1 January	0	7.814
Additions for the year	1.092	10.026
Cost at 31 December	1.092	17.840
Impairment losses and amortisation at 1 January	0	471
Amortisation for the year	61	387
Impairment losses and amortisation at 31 December	61	858
Carrying amount at 31 December	**1.031**	**16.982**

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Leasehold improvements
	TDKK
Cost at 1 January	775
Additions for the year	700
Disposals for the year	-120
Cost at 31 December	1.355
Impairment losses and depreciation at 1 January	542
Depreciation for the year	131
Impairment losses and depreciation at 31 December	673
Carrying amount at 31 December	**682**
Depreciated over	3-5 years

9 Investments in subsidiaries

	Parent Company	
	2023	2022
	TDKK	TDKK
Cost at 1 January	41	0
Additions for the year	0	41
Carrying amount at 31 December	**41**	**41**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Agreena Technology Limited	United Kingdom	840 DKK	100%
Agreena Carbon Markets ApS	Denmark	40.000 DKK	100%

Notes to the Financial Statements

10 Prepayments, assets

Prepayments consist of accrued income recognized as revenue from multi-year carbon contracts (CO2-certificates), where the payments will be invoiced in the subsequent financial year. In addition, prepayments also consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

11 Share capital

The share capital is broken down as follow:

	Number	Nominal value
		TDKK
A-shares	89.102	89
B-shares	109.390	110
C-shares	65.485	65
D-shares	124.528	125
		389

The share capital has developed as follows:

	2023	2022	2021	2020
	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	264	199	77	64
Capital increase	125	65	122	13
Share capital at 31 December	**389**	**264**	**199**	**77**

Notes to the Financial Statements

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
Between 1 and 5 years	37.273	0	37.273	0
Long-term part	37.273	0	37.273	0
Within 1 year	0	0	0	0
	37.273	**0**	**37.273**	**0**
Other payables				
After 5 years	0	1.995	0	1.995
Between 1 and 5 years	13.212	9.976	13.212	9.976
Long-term part	13.212	11.971	13.212	11.971
Other short-term payables	15.303	1.985	5.231	1.457
	28.515	**13.956**	**18.443**	**13.428**

Other short-term payables includes premium pool and the asset site is included in other receivables.

13 Cash flow statement - change in working capital

	Group	
	2023	2022
	TDKK	TDKK
Change in inventories	-92.357	-11.476
Change in receivables	-117.680	-106.572
Change in other provisions	-35.565	49.400
Change in trade payables, etc	597	8.733
	-245.005	**-59.915**

Notes to the Financial Statements

	Group		Parent Company	
	2023	2022	2023	2022
	TDKK	TDKK	TDKK	TDKK

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	3.069	2.081	3.069	2.081
Between 1 and 5 years	10.094	5.202	10.094	5.202
	13.163	**7.283**	**13.163**	**7.283**

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax,tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group’s liability.

15 Related parties

Basis

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Agreena ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2023 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Agreena ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

16 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Notes to the Financial Statements

16 Accounting Policies (continued)

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

16 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Notes to the Financial Statements

16 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiary. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Acured other similar rights are measured at the lower of cost less accumulated amortisation and recoverable amount. Acured other similar rights are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Leasehold improvements	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

16 Accounting Policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventory consist of unissued certificates (rights to certificates).

Inventories are measured at cost price, at the point of time where, the benefits and risks of owning the asset is transfered to the company and the cost price can be measured realiably or net realisable value if this is lower.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments, assets

Prepayments consist of deferred income that has not been invoiced on the balance sheet date.

Prepayments also comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

16 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Notes to the Financial Statements

16 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$