FLEX FUNDING A/S

Applebys Plads 7, 1411 Copenhagen K
CVR-nr. 25 61 99 78

Annual Report 2024

1 January - 31 December
The Annual Report has been presented and adopted at the Company's Annual General Meeting on 30 June 2025

_____
Ernst Ulrik Bayer

BDO Statsautoriseret revisionsaktieselskab
Vestre Ringgade 28
DK-8000 Aarhus C
CVR no. 20 22 26 70

Tel.: +45 89 30 78 00
aarhus@bdo.dk
www.bdo.dk

Contents

Company Details
Company Details 3

Statement and Report
Management's Statement 4
Independent Auditor's Report 5-7

Management Commentary
Management Commentary 8-11

Financial Statements 1 January - 31 December
Income Statement 12
Balance Sheet 13-14
Equity 15
Notes 16-18
Accounting Policies 19-22

BDO Statsautoriseret revisionsaktieselskab, a Danish limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Company Details

Company	FLEX FUNDING A/S Applebys Plads 7 1411 Copenhagen K	
	CVR No.: Established:	25 61 99 78 5 December 2013
	Municipality: Financial Year:	Copenhagen 1 January - 31 December
Board of Directors	Ernst Ulrik Bayer, chairman Svend Aage Linde Martin Nymark Hansen	
Executive Board	Henrik Vad	
Auditor	BDO Statsautoriseret revisionsaktieselskab Vestre Ringgade 28 8000 Aarhus C	
Law Firm	Lund Elmer Sandager Advokatpartnerselskab Kalvebod Brygge 39-41 1560 Copenhagen V	

Management's Statement

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of FLEX FUNDING A/S for the financial year 1 January - 31 December 2024.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Charlottenlund, 30 June 2025

Executive Board

_____
Henrik Vad

Board of Directors

_____	_____	_____
Ernst Ulrik Bayer Chairman	Svend Aage Linde	Martin Nymark Hansen

Independent Auditor's Report

To the Shareholder of FLEX FUNDING A/S

Opinion

We have audited the Financial Statements of FLEX FUNDING A/S for the financial year 1 January - 31 December 2024, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024 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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter

We draw attention to note 11, which describes the material uncertainty associated with the valuation of the intangible assests in subsidiaries of DKK 13,2 M. Our conclusion has not been modified regarding 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.

Independent Auditor's Report

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.

- Plan and perform the audit of the Financial Statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary 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 Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Aarhus, 30 June 2025

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jonas Lund Jacobsen

State Authorised Public Accountant
MNE no. mne46611

Management Commentary

Principal activities

Flex Funding operates a marketplace lending platform (P2P) that allows investors to lend money directly to SMEs, without holding loans on our own balance sheet. Flex Funding A/S is the largest marketplace lender for SMEs in Denmark, where SME borrowers benefit from fast, flexible, and competitively priced SME loans. The proprietary platform is offered in our own brand and via partnerships (white label partners and joint venture partners). The partners gain access to the Flex Funding system with all the benefits that come with a common marketplace and lending capacity from private, institutional, and public sources and have their own access to our backend system.

In addition, Flex Funding offers a secondary marketplace. Flex Funding's secondary market allows investors to buy and sell existing loan parts, increasing portfolio liquidity. All transactions are handled 100% automatically by the system, ensuring an efficient and user-friendly process. Investors can exit positions early and adjust pricing, while buyers gain access to loans with a proven repayment history – all within a transparent and flexible platform.

Flex Funding is backed by Danmarks Eksport- og Investeringsfond (EIFO) and the European Investment Fund (EIF). While the EGF guarantee from EIF and the COVID-19 guarantee from EIFO were part of previous programs that are no longer offered, the loans issued under these programs remain active. Flex Funding maintains regular reporting and ongoing communication with both EIFO and EIF

Performance

Flex Funding has more than 10 years' proven track record with strong loan origination volume growth. The historical returns for investors are a stellar performance. DKK 100 invested and reinvested in all loans since our launch in 2015 has been increased to DKK 154 after losses and costs at the end of 2024. Compared with benchmark the European High Yield Index, the value of the index has increased to DKK 136 (before costs). The annualized losses are as low as 4,8%. All Flex Fundings data are verified by LoanClear, NL.

Return data verified by LoanClear, UK:

- CAGR (Compound Annual Growth Rate) since inception has been 4,9%, which has been generated at a standard deviation of monthly returns of 0,4%.
- The maximum drawdown of returns from prior high has been 2,4% (May 2024).

Management Commentary

2024 Review

Introduction

2024 has been a year with continued challenges and strategic realignments. While the residual effects of 2023's financial difficulties persisted, Flex Funding has remained steadfast in optimizing cost structures, reinforcing organizational capabilities, and preparing for an ambitious growth trajectory in 2025-2026. Flex Funding has placed particular emphasis on building the right team to execute our future vision.

Additionally, Flex Funding's focus on expanding our white-label program has yielded new partnerships beyond Denmark, strengthening our position in the SME lending sector. Flex Funding has also intensified collaboration with lead-generation partners, ensuring a broader reach and improved loan origination.

Operational Performance and Market Developments

Flex Funding maintained revenue at the same level as the previous year while significantly reducing costs, leading to lower losses than in 2023. This improvement in cost efficiency and financial discipline strengthens our path to long-term sustainability.

Our white-label partnerships continued to expand, diversifying revenue and reinforcing our market position. The increased focus on lead-generation partnerships has further strengthened our loan portfolio quality.

Our proprietary IT platform, launched in 2023, performed exceptionally well throughout 2024, enhancing security, compliance, and documentation while improving customer satisfaction. The September launch of Open Banking was another significant advancement, enabling real-time payments and streamlining transaction efficiency.

In the first half of 2024, Flex Funding underwent an extensive due diligence process for a potential acquisition by a foreign entity. After careful evaluation, Flex Funding declined the offer due to concerns over the counterparty’s financial stability. Instead, Flex Funding shifted focus toward acquiring a Norwegian company, aligning with our international expansion strategy.

2024 also presented challenges in our loan portfolio. Six loans were facilitated in 2021 and 2022, totaling DKK 60 million, backed by a 70% EIF loss guarantee. We have co-financed DKK 17.5 million of these loans, secured with additional guarantees. However, multiple borrowers entered insolvency or restructuring, increasing the risk of collateral devaluation and leading to financial instability.

Subsequent Events

Entering 2025, Flex Funding has taken decisive action to safeguard its financial stability and compliance with regulatory capital requirements. As a direct consequence of the loan defaults described above, Flex Funding has initiated a preventive restructuring, which has been supported by the company’s two largest creditors, including Flex Funding’s largest shareholder, as of January 3, 2025. Throughout the restructuring process, the company has maintained an open and constructive dialogue with the Danish Financial Supervisory Authority (FSA), ensuring transparency and regulatory alignment. The objective is to facilitate substantial write-downs on outstanding liabilities, ensuring the long-term viability of the business.

Management Commentary

Subsequent Events (continued)
On January 22, 2025, following its ongoing dialogue with the FSA, Flex Funding successfully reestablished its capital base, ensuring compliance with the capital requirements stipulated by the Danish Financial Supervisory Authority (FSA) under the Payment Services Act (PSD2). Importantly, no customers or creditors—whether private or public—have incurred any losses as a consequence of the restructuring. The only impacted parties were Flex Funding's two largest creditors, with whom a settlement agreement was reached prior to the initiation of the preventive restructuring. This follows the FSA's directive issued on January 14, 2025, which required Flex Funding to restore its capital foundation by February 3, 2025.

The acquisition process of the Norwegian entity has progressed positively in early 2025, and Flex Funding anticipates closing the transaction during the spring.

Flex Funding aims to establish proof of concept in foreign markets throughout 2025. The company remains committed to regulatory compliance and financial stability while focusing on executing its strategic growth initiatives for 2025 and beyond.

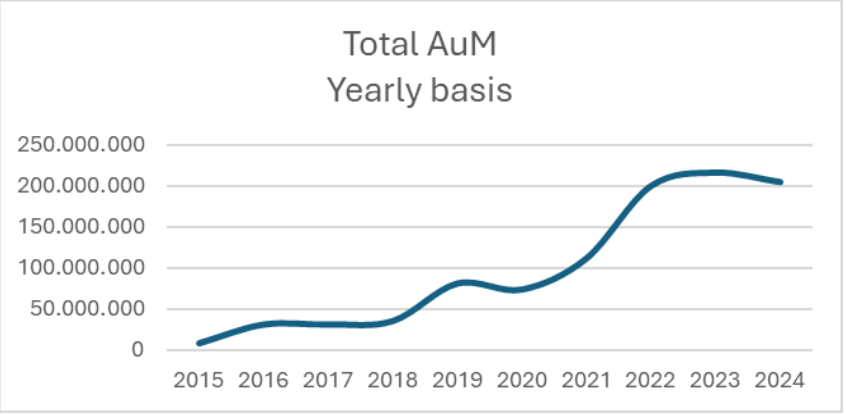
Conclusion and Outlook for 2025

While 2024 was a year of financial recalibration, it also set the stage for future development and growth. The company has proactively addressed financial challenges while reinforcing its organization and market presence. Our financial stability is secured, enabling us to execute our 2025 strategy.
Flex Funding sees significant opportunities in the market with its ECSP and PSD2 licenses, which position the company strongly for future growth. Looking ahead, Flex Funding's focus remains on:

- Strengthening our core SME lending business while enhancing risk management practices.
- Expanding our white-label partnerships to drive revenue growth and geographic diversification.
- Optimizing our lead-generation strategy to improve loan quality and investor returns.
- Maintaining strong regulatory compliance and transparent stakeholder communication.

Flex Funding remains committed to Flex Funding's mission of supporting SME growth through innovative financial solutions, and Flex Funding is confident that the steps taken in 2024 will enable us to achieve sustainable success in the coming years.

Flex Funding has, in 2024, seen a slight decrease in assets under management (AuM) of 5% compared to 2023, with AuM reaching 205 million DKK in 2024. Flex Funding has funded a total of 750 loans.



Management Commentary

Financial review
The income statement for 2024 shows a loss before tax of 19.4 mDKK, compared to a loss before tax of 14.2 mDKK the previous year. This is below Management's expectations, explained by the challenges faced during 2024. It is a strategic decision to continue investing in the development of the IT platform, expanding into new markets, and building new white-label partnerships. A strategy has been established to ensure the organization is ready to handle significant growth in the coming years.

Capital and liquidity resources
The company operates within the FinTech sector and is in a growth phase, where budgets depend on the realization of management's plans for several future initiatives, including growth strategies. This development requires resources for system development, product development, and sales and marketing. The day-to-day operations cannot finance this development, and therefore, the company is dependent on continued capital and liquidity. Based on funding commitments, Management expects that the company has sufficient funding to continue its operations in 2025.

Income Statement 1 January - 31 December

	Note	2024 DKK	2023 DKK
Gross loss		**-230.791**	**-2.498.206**
Staff costs	1	-5.532.808	-7.715.157
Depreciation, amortisation and impairment losses for tangible and intangible assets		-51.987	-49.811
Other operating expenses		-2.758	0
Operating loss		**-5.818.344**	**-10.263.174**
Income from investments in subsidiaries		-14.178.030	-3.525.917
Other financial income	2	752.031	1.099.547
Other financial expenses	3	-527.554	-2.175.672
Loss before tax		**-19.771.897**	**-14.865.216**
Tax on profit/loss for the year	4	324.109	662.765
Loss for the year		**-19.447.788**	**-14.202.451**

Proposed distribution of profit

Allocation to reserve for net revaluation under the equity method	-14.178.030	-3.525.917
Retained earnings	-5.269.758	-10.676.534
Total	**-19.447.788**	**-14.202.451**

Balance Sheet at 31 December

Assets

	Note	2024 DKK	2023 DKK
Other plant, fixtures and equipment		51.816	94.515
Property, plant and equipment	5	**51.816**	**94.515**
Investments in subsidiaries		12.614.378	10.731.586
Receivables from Group companies		2.131.266	2.380.799
Rent deposit and other receivables		52.143	143.435
Financial non-current assets	6	**14.797.787**	**13.255.820**
Non-current assets		**14.849.603**	**13.350.335**
Receivables from group enterprises		0	16.061.794
Other receivables		579.465	199.068
Prepayments		271.672	304.702
Receivables		**851.137**	**16.565.564**
Cash and cash equivalents		**957.266**	**93.551**
Current assets		**1.808.403**	**16.659.115**
Assets		**16.658.006**	**30.009.450**

Balance Sheet at 31 December

Equity and liabilities

	Note	2024 DKK	2023 DKK
Share capital		6.501.000	14.012.470
Retained earnings		-3.053.975	-15.562.699
Equity		**3.447.025**	**-1.550.229**
Debt to other credit institution		1.688.419	10.741.968
Frozen holiday pay		301.329	292.269
Non-current liabilities	7	**1.989.748**	**11.034.237**
Debt to other credit institution		9.491.302	8.004.379
Bank debt		1.617	9.812.548
Trade payables		482.843	1.295.446
Debt to Group companies		51.117	0
Other liabilities		1.194.354	1.413.069
Current liabilities		**11.221.233**	**20.525.442**
Liabilities		**13.210.981**	**31.559.679**
Equity and liabilities		**16.658.006**	**30.009.450**
Contingencies etc.	8		
Charges and securities	9		
Assumptions for continued operations	10		
Information on significant uncertainties at recognition and measurement	11		

Equity

DKK	Share capital	Share Premium	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January 2024	14.012.470	0	0	-15.562.699	-1.550.229
Proposed profit allocation			-14.178.030	-5.269.758	-19.447.788
Transactions with owners					
Capital increase	6.501.000	17.944.042			24.445.042
Capital reduction	-14.012.470			14.012.470	0
Transferred premium					
Retained premium		-17.944.042		17.944.042	0
Allowed equalization			14.178.030	-14.178.030	0
Equity at 31 December 2024	**6.501.000**	**0**	**0**	**-3.053.975**	**3.447.025**

Notes

	2024 DKK	2023 DKK
1 | Staff costs		
Average number of full time employees	7	11
Wages and salaries	5.350.921	7.498.404
Pensions	91.500	91.125
Social security costs	83.267	123.252
Other staff costs	7.120	2.376
	5.532.808	**7.715.157**
2 | Other financial income		
Interest income from group enterprises	48.653	536.189
Other interest income	703.378	563.358
	752.031	**1.099.547**
3 | Other financial expenses		
Interest expenses to group enterprises	928	0
Other interest expenses	526.626	2.175.672
	527.554	**2.175.672**
4 | Tax on profit/loss for the year		
Calculated tax on taxable income of the year	0	-662.765
Adjustment of tax in previous years	-324.109	0
	-324.109	**-662.765**

5 | Property, plant and equipment

DKK	Other plant, fixtures and equipment
Cost at 1 January 2024	178.257
Additions	14.847
Disposals	-11.910
Cost at 31 December 2024	**181.194**
Depreciation and impairment losses at 1 January 2024	83.743
Reversal of depreciation of assets disposed of	-3.970
Depreciation for the year	49.605
Depreciation and impairment losses at 31 December 2024	**129.378**
Carrying amount at 31 December 2024	**51.816**

Notes

6 | Financial non-current assets

DKK	Investments in subsidiaries	Receivables from Group companies	Rent deposit and other receivables
Cost at 1 January 2024	20.196.295	2.380.798	143.435
Additions	18.466.595	0	52.143
Disposals	0	-249.532	-143.435
Cost at 31 December 2024	**38.662.890**	**2.131.266**	**52.143**
Revaluation at 1 January 2024	-10.870.483	0	0
Revaluation and impairment losses for the year	-15.178.029	0	0
Revaluation at 31 December 2024	**-26.048.512**	**0**	**0**
Carrying amount at 31 December 2024	**12.614.378**	**2.131.266**	**52.143**

7 | Long-term liabilities

DKK	31/12 2024 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2023 total liabilities
Debt to other credit institution	11.091.161	9.402.742	0	10.741.968
Bank debt	0	0	0	9.812.548
Frozen holiday pay	301.329	0	301.329	292.269
	11.392.490	**9.402.742**	**301.329**	**20.846.785**

8 | Contingencies etc.

Contingent liabilities
Rent commitments total DKK 58 thousand under af rent agreement with a non-terminable period of 22 months.

Joint liabilities
The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of Linde SAL ApS, which serves as management Company for the joint taxation.

9 | Charges and securities

The assets of the company have been pledged to Vækstfonden as part of a loan agreement up to the amount of 10 mio. kr.

The company has provided joint and several suretyship for subsidiary Lending Lab ApS up to the amount of 75 tkr.

Notes

10 | Assumptions for continued operations

The company has received a letter of support from Linde Holding ApS regarding the financing of continued operations in the coming 12 months.

11 | Information on significant uncertainties at recognition and measurement

The company's group receivables consist of funding of capitalized development cost related to the group's IT platform. The Platform developed is essential for the Flex Funding activities and is servicing also some external white label partners. The platform developed is prepared for application also internationally. There is significant uncertainty associated with future earnings based on the developed Platform – but with the Groups intention to expand significantly the number of white label partners as well as the plan to expand internationally the Management assesses that the value of the development costs for the company represents fairly the value for the company to secure future revenue/earnings.

Accounting Policies

The Annual Report of FLEX FUNDING A/S for 2024 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Income Statement

Net revenue
Revenue that consists of rendering service and consultancy service is measured at fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Establishment fees are recognized as income when the contract between the investor(s) and loan recipient has been concluded. The service is considered to be rendered when the contract has been signed. Provision fees are recognized as income over time as the service is provided. Income from consultancy services is recognized in revenue as the service is provided.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses
Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

Other operating expenses
Other operating expenses include items of a secondary nature in relation to the Group’s and the Company’s activities. Losses from sale of intangible and tangible fixed assets are also included.

Income from investments in subsidiaries
The Income Statement of the Parent Company recognises the proportional share of the results of subsidiaries determined according to the Parent Company’s accounting policies and after full elimination of intercompany profits/losses and deduction of amortisation of goodwill. resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company’s Income Statement.

Profits from sale are recognized, if the economic rights related to the sold subsidiaries are transferred. However, not before the profit is realised or regarded as realisable. Moreover, realised losses besides impairments are recognised when they are demonstrated.

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Accounting Policies

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

Balance Sheet

Property, plant and equipment
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

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

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying Equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses, and with addition of remaining additional values and goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement upon acquisition of the Equity interest. Where the negative goodwill is related to takeover of contingent liabilities, the negative goodwill is not recognised before the contingent liabilities are settled or cancelled.

Net revaluation of investments in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Investments in subsidiaries with negative equity value are measured at DKK 0. Any receivables with these companies are written off, to the extent that the receivable is uncollectible from a specifically assessed indication of impairment. To the extent that the Parent Company has a legal or actual obligation to cover a negative balance which exceeds the receivable, the remainder is recognised under provisions for liabilities.

Impairment of fixed assets
The carrying amount of property, plant and equipment, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

Accounting Policies

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Accounting Policies

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.