

A.P. MØLLER CAPITAL P/S

Annual report
2022



Esplanaden 50
DK - 1263 Copenhagen K

apmollercapital.com
CVR 38 28 49 67

Date 26 April 2023

Chairman Simon Krogh

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Company details

Company	A.P. Møller Capital P/S Esplanaden 50 DK-1263 Copenhagen K Business registration no. 38 28 49 67 FT no.: 23.129
Reporting period	1 January - 31 December 2022
Financial year	1 January - 31 December
Board of directors	Robert Maersk Ugbla, Chairman Martin Nørkjær Larsen Clara Ho David Tai Wei Tung James Murray Grant
Management	Kim Fejfer, Managing Partner & CEO Joe Nicklaus Nielsen, Partner & CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Financial Supervisory Authority	Finanstilsynet Århusgade 110 DK-2100 Copenhagen Ø

Statement by Management on the annual report

The Board of Directors and Management have today discussed and approved the annual report of A.P. Møller Capital P/S for the financial period 1 January 2022 - 31 December 2022.

The annual report is prepared in accordance with the Danish Alternative Investment Fund Managers Act, the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of alternative investment funds and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions, investment companies, etc.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position on 31 December 2022 and of the results of the Company's operations for the financial period 1 January 2022 - 31 December 2022.

In our opinion, Management's review includes a fair review of developments in the Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Company.

Management recommends that the annual report should be approved at the Board meeting.

Copenhagen, 26 April 2023

Management

Kim Fejfer
Managing Partner & CEO

Joe Nicklaus Nielsen
Partner & CFO

Board of directors

Robert Maersk Ugglå
Chairman

Clara Ho

David Tai Wei Tung

Martin Nørkjær Larsen

James Murray Grant

Independent auditors report

To the shareholders of A.P. Møller Capital P/S

Opinion

We have audited the financial statements of A.P. Møller Capital P/S for the financial year 1 January 2022 - 31 December 2022, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, notes and summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations for the financial period 1 January 2022 - 31 December 2022 in accordance with the Danish Alternative Investment Fund Managers Act, the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of alternative investment funds and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions and investment companies, etc.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional 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.

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 Alternative Investment Fund Managers Act, the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of alternative investment funds and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions and investment companies etc.

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 Alternative Investment Fund Managers Act, the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of alternative investment funds and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions and investment companies etc. 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 financial statements that give a true and fair view in accordance with the Danish Alternative Investment Fund Managers Act, the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of alternative investment funds and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions and investment companies etc., and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 26 April 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

René Otto Poulsen
State Authorised Public Accountant
mne26718

Financial highlights

The development of the Company may be described by means of the following financial highlights:

Amounts in DKKt	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Key figures					
Administration fee	121,948	92,448	96,239	99,782	105,849
Costs for employees and administration incl. depreciations	135,033	92,107	92,077	79,870	70,462
Profit/loss before financial items	-13,084	341	4,162	19,912	35,387
Profit/loss for the year	-11,814	443	3,884	20,946	38,819
Equity	15,042	26,856	26,413	34,529	57,783
Total assets	84,164	52,065	43,473	50,372	74,378
Financial ratios					
Solvency ratio	17.9%	51.6%	60.8%	68.5%	77.7%
Return on equity before tax	-56.4%	1.7%	12.7%	45.4%	89.3%
Return on equity after tax	-56.4%	1.7%	12.7%	45.4%	87.5%
Average number of employees	34	32	32	22	19
Number of funds under management	2	1	1	1	1
Number of investments under management	8	7	4	1	0
Assets under management	6,114,573	3,768,410	2,234,524	114,965	1,256

Management's review

Business activities

A.P. Møller Capital P/S (“the Company” or “APMC”) is a value-add infrastructure fund manager focused on high growth markets and part of the A.P. Møller Group. Our investments support sustainable economic growth and prosperity in the markets where we operate while delivering consistent and competitive returns.

Urbanization and a growing global middle class drive an ever-increasing demand for infrastructure investments. Through our investments we aim to facilitate food security, unlock supply chain bottlenecks, and slow global warming. We invest in critical infrastructure and renewables in high growth markets where the infrastructure funding gap is most profound while always carefully selecting assets and actively mitigating risks.

We are value-adding investors, combining extensive industrial knowhow and operational expertise with private equity competence and experience from investing and operating in emerging market infrastructure. Our industrial heritage and network of global and local industry partners enables both access to and efficient execution of unique investment opportunities.

The Company is based in Copenhagen and has offices in Dubai and Singapore.

Business review

In 2022, APMC focused its activities on fund management of the funds Africa Infrastructure Fund I K/S (“AIF I”) and A.P. Møller Capital – Emerging Markets Infrastructure Fund II K/S (“EMIF II”). During this period several key events occurred including the AIF I acquisition of Thika Power and co-investment in KEG Holdings, both located in Kenya, as well as the recruitment of Dhruv Narain as APMC’s fifth Partner to spearhead efforts to grow the business in India and South-east Asia.

Revenue of the Company originated from fees from AIF I and EMIF II, amounting to DKK 121.9m.

Staff expenses and administration expenses amounted to DKK 133.4m, for the period, of which DKK 91m resulted from staff-related expenses and DKK 42.4m from other external expenses. Other external expenses for the period consisted of rent, fees for consultants and other non-salary related costs.

APMC had on average 34 employees during the period which included shared resources with A.P. Møller Holding A/S.

Management's review

Net loss for the period was DKK -11.8m.

Management considers the result for 2022 satisfactory and in accordance with expectations.

Expectations for the coming year

In 2023, the focus of the Company will be to manage the businesses in AIF I for value accretion and to finalize fundraising for EMIF II.

Business and financial risks

Given that the Company has revenue in USD and costs in USD, DKK, GBP and AED, the result will be influenced by currency fluctuations.

Significant events occurring after end of reporting period

No significant events have occurred after the balance sheet date which could have influenced the evaluation of the Annual Report.

Board of Directors and Partners involvement in other business entities

The Board of Directors consists of five members, a Chairman and four Board Members, as presented in the section below regarding the Director's affiliations. The Management consists of two out of five Partners, with Kim Fejfer being the Managing Partner and CEO.

Executive Board

Kim Fejfer

Chief Executive Officer

Other management duties, etc.

- KIMFJERCO DMCC, United Arab Emirates (Executive management)
- A.P. Møller Capital GP ApS (Executive management)
- APMH Invest XVIII ApS (Director)
- Iv3 Holding A/S (Director)
- ARISE P&L AFRICA 1 LIMITED (Board member)
- ARISE P&L GABON LIMITED (Board member)
- ARISE P&L LIMITED (Board member)

Kim Fejfer is former executive board member of the A.P. Moller Maersk Group, and the former CEO of APM Terminals. Extensive management experience in investments and operations of maritime infrastructure growth as well as mature markets

Joe N. Nielsen

Chief Financial Officer

Other management duties, etc.

- CPJNN Invest ApS (CEO)
- Africa Infrastructure Fund Ports & Logistics GP ApS (CEO)
- AIF CC ApS (CEO)
- AIF I Africa C&I Renewable Energy GP ApS (CEO)
- AIF Africa Power & Energy GP ApS (CEO)
- AIF GPP ARISE LIMITED (Board member)
- AIF Power and Water ApS (CEO)
- AIF PORTS & LOGISTICS MANAGEMENT LIMITED (Board member)
- AIF Roads ApS (CEO)
- EMIF II Egypt Logistics ApS (CEO)
- A.P. Moller Capital EMIF II Coöperatief W.A. (Board member)
- Impala Energy ApS (CEO)
- Mass Cereales Al Maghreb S.A. (Board member)

Joe N. Nielsen is former VP of investments in APM Terminal. Two-decade track record of deals in Infrastructure and finance, having completed multiple transactions in the transport space.

Executive Board

Robert M. Ugglå

Chair

Other management duties, etc.

- A.P. Møller Holding A/S (CEO)
- A.P. Møller - Mærsk A/S (Chair)
- Maersk Tankers A/S (Chair)
- Foundation Board of IMD Business School (Board member)
- Agata ApS (CEO)
- Estemco XII ApS (CEO)
- International Business Leaders' Advisory Council in Shanghai (Member)

Robert M. Ugglå is appointed to the Board of Directors in a number of entities controlled by A.P. Møller Holding A/S.

Martin N. Larsen

Other management duties, etc.

- A.P. Møller Holding A/S (CFO)
- Maersk Product Tankers A/S (Chair)
- Maersk Tankers A/S (Board member)
- Unilabs Group Holding ApS (Board member)
- Navigare Capital Partners A/S (Chair)
- Assuranceforeningen SKULD (Gjensidig) (Vice Chair)
- MVKH ApS (CEO)

Martin N. Larsen is appointed to the Executive Board and Board of Directors in a number of entities controlled by A.P. Møller Holding A/S.

Clara Ho

Other management duties, etc.

Joined Baring Private Equity Asia in 2012 and has held several positions, currently as Managing Director - Partnerships and Corporate Development at Baring Private Equity Asia. Previously, Partner at HSBC Private Equity Asia Limited.

David T.W. Tung

Other management duties, etc.

- GL Capital - Beijing (Advisor)
- Grafine Partners - New York (Advisor)

David T.W. Tung is former Global Partner at The Carlyle Group, Managing Director at Merrill Lynch and Executive Director at Goldman Sachs.

James M. Grant

Other management duties, etc.

- Brait SE, Luxembourg and South Africa (Non-Executive Director)
- Time Partners Ltd, London (Non-Executive Director)
- Cregneash UK Ltd, London (CEO)
- Actics Acts, London, (Independent Trustee)
- Lewa Wildlife Conservancy, Kenya, (International Advisory Committee Member)

James M. Grant has extensive private equity experience from his time at 3i plc, Actics LLP and more recently as MD responsible for CDC Group PLC's fund investments.

INCOME STATEMENT FOR 1 JANUARY - 31 DECEMBER 2022

Amounts in DKKt	Note	<u>2022</u>	<u>2021</u>
Administration fee	1	121,948	92,448
Staff expenses and administration	2	<u>-133,375</u>	<u>-91,431</u>
Profit/loss before financial items and depreciations		-11,426	1,017
Depreciations	6,7	<u>-1,658</u>	<u>-676</u>
Profit/loss before financial items		-13,084	341
Financial income	3	4,760	2,881
Financial expenses	4	<u>-3,490</u>	<u>-2,779</u>
Net profit/loss for the year	5	<u>-11,814</u>	<u>443</u>

BALANCE SHEET AS OF 31 DECEMBER

Amounts in DKKt	Note	2022	2021
Assets			
Intangible assets	6	18,741	2,650
Intangible assets		18,741	2,650
Leasehold improvement	7	23	334
Tangible assets		23	334
Total non-current assets		18,764	2,984
Investments in subsidiaries		978	40
Financial assets		978	40
Other receivables	8	41,308	11,329
Prepayments		2,248	3,053
Receivables		43,556	14,382
Cash at bank and in hand		20,866	34,659
Assets total		84,164	52,065

BALANCE SHEET AS OF 31 DECEMBER

Amounts in DKKt	Note	2022	2021
Liabilities and equity			
Share capital		22,500	22,500
Retained earnings		-7,458	4,356
Equity		15,042	26,856
Subordinated loans		28,674	0
Long term liabilities		28,674	0
Other payables	10	40,448	25,209
Total liabilities		40,448	25,209
Liabilities and equity total		84,164	52,065
Contingent assets, liabilities, and other financial obligations			11
Related parties and ownership			12
Policies and targets for managing financial, business, and operational risks			13
Significant events occurring after the end of the financial year			14

STATEMENT OF CHANGES IN EQUITY

Amounts in DKKt	<u>Share capital</u>	<u>Proposed Dividends</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	22,500	0	4,356	26,856
Net profit/loss for the period	<u>0</u>	<u>0</u>	<u>-11,814</u>	<u>-11,814</u>
Equity at 31 December 2022	<u>22,500</u>	<u>0</u>	<u>7,458</u>	<u>15,042</u>

NOTES TO FINANCIAL STATEMENT

Amounts in DKKt	<u>2022</u>	<u>2021</u>
1 Administration fee		
Africa Infrastructure Fund I K/S	91,990	92,448
A.P. Møller Capital – Emerging Markets Infrastructure Fund II K/S	<u>29,958</u>	<u>0</u>
Total revenue	<u>121,948</u>	<u>92,448</u>
2 Staff expenses and administration		
Wages and salaries	90,193	67,191
Pensions	3,220	2,037
Other social security costs	311	287
Special payroll tax based on total payroll	-2,775	-3,195
Other administration expenses incl. depreciations	<u>42,425</u>	<u>25,787</u>
	133,375	92,107
Average number of employees	<u>34</u>	<u>32</u>
Hereof remuneration to management and Board of Directors:		
Board of Directors:		
Fixed fee	900	550
Management:		
Fixed	22,264	19,041
Pension	<u>1,202</u>	<u>830</u>
	<u>24,366</u>	<u>20,421</u>
Number of employees in the above	<u>9</u>	<u>9</u>

Three of the Board of Directors receives remuneration. Management is not entitled to variable salary or pension, except for DIFC Workplace Savings Plan (DEWS).

The individual remuneration to the Executive management and the Board of Directors, has been published separately on our website <https://apmollercapital.com/en/>

NOTES TO FINANCIAL STATEMENT

Remuneration of other material risk takers

A.P. Møller Capital P/S is required to identify all employees whose professional activities could have a material impact on the risk profile of A.P. Møller Capital P/S in accordance with current legislation. Other material risk takers do not include members of the Board of Directors or the Executive Leadership Team. At the end of 2022, 6 other material risk takers were designated (end of 2021: 3 other material risk takers). During 2022, 6 full-time equivalents (FTEs) were designated as other material risk takers (2021: 3 FTEs). The 6 FTEs designated as other material risk takers earned remuneration of DKK 5.8m (2021: 3 FTEs earned remuneration of DKK 2.7m), with fixed remuneration amounting to DKK 5,7m and variable amounting to DKK 0.1m (2021: DKK 2.6m and DKK 0.1m respectively).

NOTES TO FINANCIAL STATEMENT

Amounts in DKKt	<u>2022</u>	<u>2021</u>	
3 Financial income			
Other financial income	4,760	2,881	
	<u>4,760</u>	<u>2,881</u>	
4 Financial expenses			
Credit institutions	1,155	200	
Other financial costs	2,335	2,579	
	<u>3,490</u>	<u>2,779</u>	
5 Distribution of total comprehensive income			
Retained earnings	-11,814	443	
	<u>-11,814</u>	<u>443</u>	
6 Intangible assets			
Cost at 1 January 2022	2,650	259	
Additions for the year	17,420	2,636	
Depreciations of the year	1,329	245	
	<u>18,741</u>	<u>2,650</u>	
7 Tangible assets			
Cost at 1 January 2022	334	650	
Additions for the year	0	46	
Depreciations of the year	311	362	
	<u>23</u>	<u>334</u>	
8 Subsidiary	Country of incorporation	Legal form	Ownership
A.P. Møller Capital – Emerging Markets Infrastructure Fund II GP ApS	Denmark	A/S	100 %
A.P. MOLLER CAPITAL (SINGAPORE) PTE. LTD.	Singapore	LTD	100 %

NOTES TO FINANCIAL STATEMENT

Amounts in DKKt	<u>2022</u>	<u>2021</u>
9 Other receivables		
Within 3 months	<u>41,308</u>	<u>11,329</u>
	<u>41,308</u>	<u>11,329</u>
10 Other payables		
Within 3 months	39,607	24,625
over 3 months	<u>841</u>	<u>584</u>
	<u>40,448</u>	<u>25,209</u>

11 Contingent assets, liabilities and other financial obligations

The Company has assumed rent and lease commitments which at the balance sheet date amount to a total of DKK 11.5m.

12 Related parties and ownership

A.P. Møller Capital P/S is consolidated in the consolidated financial statements of:

A.P. Møller Holding A/S
Esplanaden 50
1263 København K

Shareholders with 5% ownership or more

APMH Invest A/S
Esplanaden 50
1263 Copenhagen K

Agata ApS
Esplanaden 50
1263 Copenhagen K

KIMFEJFERCO DMCC
Almas Tower
Jumeirah Lakes Towers
P.O.box 48800
U.A.E. Dubai

CPJNN Invest ApS
Høsterkøbvej 22
2970 Hørsholm

NOTES TO FINANCIAL STATEMENT

Transactions

Controlling parties:

A.P. Møller Holding A/S, Copenhagen DK, DKK 4.1m (2021: DKK 3.2m), rent, office expenses and purchase of services.

Other related parties:

A.P. Møller-Mærsk A/S, Copenhagen DK, DKK 1.0m (2021: DKK 0.0m), purchase of services.

APMH INVEST A/S, Copenhagen DK, DKK 30.3m (2021: DKK 0.0m), project related cost and loan.

13 Policies and targets for managing financial, business and operational risks

Financial risks

A.P. Møller Capital is exposed to currency risk as it has income in USD and costs primarily in USD, GBP, AED and DKK. The risk is actively mitigated by maintaining an adequate liquidity buffer in both USD and DKK. The Company has counterparty risk in relation to its bank deposits. As of December 31, 2022, the Company had DKK 20.9m (2021: DKK 34.7m) in its bank accounts.

Business and operational risk

A.P. Møller Capital's business risks consists primarily of competitive pressure from competing Fund Managers as a result of a lack of efficiency, compliance, investment opportunities, etc, as this will make it more difficult to raise funds. Further, our business is to some extent reliant on a limited number of investors. This risk is actively sought mitigated by increasing the number of investors in EMIF II.

Through its status as Fund Manager with a base in Denmark and a branch in Dubai, A.P. Møller Capital is subject to an extensive regulatory framework, which is only expected to increase in complexity. To be on the forefront of this, the Company has build-up compliance, risk and ESG (Ethical, Social, Governance) functions in line with the Danish and Dubai regulation.

To ensure focus and adequate resources to core activities, the Company has decided to outsource certain functions. This includes IT operations and accounting. Due to the separate regulatory framework that the branch in Dubai is subject to, the Company has further decided to outsource certain compliance tasks in Dubai. The tasks carried out by the outsourcing partner in Dubai are monitored by the Company's compliance function in Denmark.

Insurance

A.P. Møller Capital has taken out an investment manager insurance, which includes Director's and Officer's liability, professional indemnity, company reimbursement and crime. The insurance covers claims that might arise as a result of wrongful acts, while performing or failing to perform investment services. The insurance covers annual claims of up to DKK 100m (DKK 50m for crime) with a deductible of DKK 1m. No claims have been submitted against the Company.

14 Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

ACCOUNTING POLICIES

The annual report of A.P. Møller Capital P/S for 2022 has been prepared in accordance with the Danish Alternative Investment Fund Managers Act including the Danish Financial Supervisory Authority's executive order on general rules on annual reports and audits of Alternative Investment Funds, and the Danish Financial Supervisory Authority's executive order on financial reports for credit institutions, investment companies, etc.

The annual report for 2022 is presented in DKK ('000).

The accounting policies applied are consistent with those of last year.

No consolidated financial statements have been prepared pursuant to the Danish Financial Supervisory Authority's executive, cf. section 137(1b).

Basis of recognition and measurement

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortization, depreciation, and impairment losses, are also recognized in the income statement.

Assets are recognized on the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognized on the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value unless different method is described below for each asset and liability.

Income statement

Administration fee

Revenue from quarterly management fee is recognized on the income statement in the financial period.

Staff expenses and administration

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. Administration includes cost for purchase of services, office rent etc.

Amortization, depreciation, and impairment losses

Amortization, depreciation, and impairment losses comprise the year's amortization, depreciation and impairment of intangible assets and property, plant, and equipment.

Financial income and expenses

Financial income and expenses are recognized in the income statement with the amounts relating to the financial period. Net financials include interest income and expenses, foreign currency gains and losses.

ACCOUNTING POLICIES

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over the remaining patent period, and licenses are amortized over the license term, however maximally 7-10 years.

Gains and losses on the disposal of intangible assets are determined at the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as other operating income or other operating expenses.

Tangible assets

Items of leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Leasehold improvements	1-2 years

Gains or losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income or other operating expenses, respectively.

Impairment of fixed assets

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

ACCOUNTING POLICIES

Receivables

Receivables are measured at fair value which usually corresponds to face value.

An impairment loss is recognized if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognized.

Cash

Cash comprise cash in bank deposits.

Income tax and deferred tax

As the company is fiscally transparent, no current tax liabilities or current tax receivables are recognized in the financial statements.

Prepayments

Prepayments comprise costs incurred relating to the subsequent financial year. Prepayments are measured at fair value which is usually equivalent to cost.

Other payables

Other payables, which include trade payables and other payables, are measured at fair value, which is usually equivalent to amortized cost.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized on the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are recognized directly in equity.

Financial ratios

Solvency ratio is defined as: $\text{Equity} / \text{Total assets} * 100$

Return on equity before and after tax is defined as: $\text{Net profit/loss for the period before and after tax} / \text{average equity} * 100$.