



Masai Clothing Company ApS

Hammerensgade 1, st. tv.
1267 Copenhagen K
CVR No. 10279488

Annual report 01.07.2020 - 30.06.2021

The Annual General Meeting adopted the
annual report on 24.11.2021

Michael Ro Mejer

Chairman of the General Meeting

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Entity details

Entity

Masai Clothing Company ApS

Hammerensgade 1, st. tv.

1267 Copenhagen K

Business Registration No.: 10279488

Registered office: Copenhagen

Financial year: 01.07.2020 - 30.06.2021

Board of Directors

Henrik Thorup Theilbjørnn, formand

Louise Bechmann

Henrik Ellebæk Steensgaard

Executive Board

Louise Bechmann, direktør

Henrik Ellebæk Steensgaard, adm. dir.

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Masai Clothing Company ApS for the financial year 01.07.2020 - 30.06.2021.

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 Entity's financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 24.11.2021

Executive Board

Louise Bechmann
direktør

Henrik Ellebæk Steensgaard
adm. dir.

Board of Directors

Henrik Thorup Theilbjørnn
formand

Louise Bechmann

Henrik Ellebæk Steensgaard

Independent auditor's report

To the shareholders of Masai Clothing Company ApS

Opinion

We have audited the financial statements of Masai Clothing Company ApS for the financial year 01.07.2020 - 30.06.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the management commentary.

Copenhagen, 24.11.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen

State Authorised Public Accountant
Identification No (MNE) mne30131

Hans Tauby

State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

	2020/21	2019/20	2018/19	2017/18	2016/17
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	220,651	300,014	371,512	419,148	377,045
Gross profit/loss	24,905	45,445	109,715	133,296	137,536
Operating profit/loss	(167,853)	(7,507)	63,252	90,634	98,245
Net financials	11,297	8,104	9,148	8,495	1,961
Profit/loss for the year	(155,104)	(2,893)	56,327	77,402	78,838
Total assets	150,532	304,873	332,241	271,598	212,491
Investments in property, plant and equipment	231	2,683	2,796	5,221	4,151
Equity	93,949	249,537	252,056	196,238	140,588
Average number of employees	98	99	89	83	77
Ratios					
Gross margin (%)	11.29	15.15	29.53	31.80	36.48
Net margin (%)	(70.29)	(0.96)	15.16	18.47	20.91
Return on equity (%)	(90.31)	(1.15)	25.13	45.96	112.09
Equity ratio (%)	62.41	81.85	75.87	72.25	66.16

Financial highlights are defined and calculated in accordance with CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

As in previous years, the Company's primary activities are within design of women's lifestyle wear sold through wholesale, online and retail channels. The Company's products are mainly marketed in Northern and Western Europe and the United States. The Company is headquartered in Copenhagen and is represented by own and external showrooms in some of the largest cities in Northern and Western Europe. The Company has 13 directly operated retail stores in Denmark and direct E-commerce Business.

Development in activities and finances

The Company's financial performance has not met the expectations set out last year, where COVID-19 has continued to have a negative impact on revenue in the wholesale and the retail business. The E-commerce business has shown an increase in revenue but not sufficient to offset the decrease in other channels.

The year has also been marked by a change in Board and Management and a restructuring of the business involving both an unfortunate but necessary reduction in staff and an extraordinary write-down from receivables from other group enterprises.

The income statement shows a revenue of DKK 220,651 thousand and a loss for the year of DKK 153,994 thousand of which the extraordinary write-down constitutes DKK 127,769. The write-down has no impact on cash.

Profit/loss for the year in relation to expected developments

It was expected that COVID 19 to a certain extent also would affect the business for the year. The second and long Lock Down in Europe during December 2020 and through April 2021 was, however, not incorporated into the original revenue expectations.

Outlook

We are satisfied that, despite COVID 19 and recent decline in revenue from prior unsuccessful business priorities, we have maintained a core loyal customer base to grow from again. We are confident that our unique positioning and product offering will be increasingly relevant for our current loyal customer base and the new customers to join that are now starting to look our way again.

We are happy with our experienced and talented staff that under new management securely will enable the revival of Masai by positioning Masai by its core and updated DNA with a strong signature and unique offering.

COVID-19 has again affected the Selling-in of the collections to be delivered in this financial year. Despite this, a revenue increase in the Wholesale, E-com and Retail business is expected for the full year. The inventory is also expected to be at a healthier level compared to last year. This, in combination with a reduced cost base, leads to an expected modest profit before interest, tax and depreciations (EBITDA) for the year.

Knowledge resources

An essential part of the Company's business is the design and conceptual development placing heavy demands on knowledge resources concerning employees engaged in this part of the Company. To maintain this knowledge, the Company must be able to recruit and keep employees with the relevant professional background. The Company aims at all times to secure the optimum mix of employees and the necessary adaptability. On several other essential business processes such as logistics and IT, the Company is seeking to secure the necessary adaptability by combining outsourcing and a mix of employees with high professional expert knowledge.

Environmental performance

Since the Company is not operating any in-house production, Management is of the opinion that the Company is not subject to any essential environmental conditions requiring a separate mentioning. Notwithstanding this, Masai has strong environmental priorities. We care about the environment and in particular how we produce our clothes. Therefore Masai is "Committed to Thoughtfulness" and has obtained several CSR certificates for our different product groups. More information can be found on our website.

Research and development activities

The Company has no actual research activities but has (similar to recent years) spent considerable resources on developing and designing products and concepts to maintain its market position.

Events after the balance sheet date

No significant events have occurred after the end of this financial period which affects the Company's financial position.

Income statement for 2020/21

	Notes	2020/21 DKK'000	2019/20 DKK '000
Revenue		220,651	300,014
Other operating income	1	9,411	9,869
Cost of sales		(93,988)	(121,436)
Other external expenses		(111,169)	(143,002)
Gross profit/loss		24,905	45,445
Staff costs	2	(52,966)	(44,052)
Depreciation, amortisation and impairment losses	3	(12,023)	(8,901)
Writedowns of current assets that exceed normal writedowns		(127,769)	0
Operating profit/loss		(167,853)	(7,508)
Other financial income	4	17,527	16,512
Other financial expenses	5	(6,230)	(8,407)
Profit/loss before tax		(156,556)	597
Tax on profit/loss for the year	6	1,452	(3,490)
Profit/loss for the year	7	(155,104)	(2,893)

Balance sheet at 30.06.2021

Assets

	Notes	2020/21 DKK'000	2019/20 DKK'000
Completed development projects	9	26,123	29,203
Goodwill		3,654	3,188
Intangible assets	8	29,777	32,391
Other fixtures and fittings, tools and equipment		722	1,741
Leasehold improvements		3,171	4,838
Property, plant and equipment	10	3,893	6,579
Investments in group enterprises		6	6
Financial assets	11	6	6
Fixed assets		33,676	38,976
Manufactured goods and goods for resale		40,766	29,716
Inventories		40,766	29,716
Trade receivables		17,030	19,024
Receivables from group enterprises		5,164	136,645
Other receivables		4,965	4,503
Prepayments	12	3,507	3,073
Receivables		30,666	163,245
Cash		45,424	72,935
Current assets		116,856	265,896
Assets		150,532	304,872

Equity and liabilities

	Notes	2020/21 DKK'000	2019/20 DKK'000
Contributed capital		1,001	1,001
Reserve for development expenditure		20,375	27,210
Retained earnings		72,573	221,326
Equity		93,949	249,537
Deferred tax	13	2,843	4,295
Other provisions	14	1,843	1,279
Provisions		4,686	5,574
Joint taxation contribution payable		0	135
Other payables		3,932	3,391
Non-current liabilities other than provisions	15	3,932	3,526
Trade payables		24,776	19,397
Payables to group enterprises		0	1,837
Joint taxation contribution payable		135	14,121
Other payables		23,054	10,880
Current liabilities other than provisions		47,965	46,235
Liabilities other than provisions		51,897	49,761
Equity and liabilities		150,532	304,872
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		
Group relations	20		

Statement of changes in equity for 2020/21

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,001	27,210	221,326	249,537
Exchange rate adjustments	0	0	(484)	(484)
Transfer to reserves	0	(6,835)	6,835	0
Profit/loss for the year	0	0	(155,104)	(155,104)
Equity end of year	1,001	20,375	72,573	93,949

Notes

1 Other operating income

Other operating income includes compensation from the government's COVID-19 assistance packages for salary, fixed costs and depreciation amounting to DKK 3,7 million.

2 Staff costs

	2020/21 DKK'000	2019/20 DKK'000
Wages and salaries	49,237	42,534
Pension costs	3,003	2,895
Other social security costs	726	367
	52,966	45,796
Staff costs classified as assets	0	(1,744)
	52,966	44,052
Average number of full-time employees	98	99

	Remuneration of Management 2020/21 DKK'000	Pension liabilities 2020/21 DKK'000	Remuneration of Management 2019/20 DKK'000	Pension liabilities 2019/20 DKK'000
Executive Board	4,265	166	1,546	76
	4,265	166	1,546	76

3 Depreciation, amortisation and impairment losses

	2020/21 DKK'000	2019/20 DKK'000
Amortisation of intangible assets	9,106	5,298
Depreciation of property, plant and equipment	2,782	3,176
Profit/loss from sale of intangible assets and property, plant and equipment	135	427
	12,023	8,901

4 Other financial income

	2020/21 DKK'000	2019/20 DKK'000
Financial income from group enterprises	10,900	11,248
Other financial income	6,627	5,264
	17,527	16,512

5 Other financial expenses

	2020/21	2019/20
	DKK'000	DKK'000
Financial expenses from group enterprises	64	20
Other financial expenses	6,166	8,387
	6,230	8,407

6 Tax on profit/loss for the year

	2020/21	2019/20
	DKK'000	DKK'000
Current tax	0	135
Change in deferred tax	(1,452)	3,395
Adjustment concerning previous years	0	(40)
	(1,452)	3,490

7 Proposed distribution of profit and loss

	2020/21	2019/20
	DKK'000	DKK'000
Retained earnings	(155,104)	(2,893)
	(155,104)	(2,893)

8 Intangible assets

	Completed development projects	Goodwill
	DKK'000	DKK'000
Cost beginning of year	38,550	9,531
Additions	5,336	1,156
Cost end of year	43,886	10,687
Amortisation and impairment losses beginning of year	(9,347)	(6,343)
Amortisation for the year	(8,416)	(690)
Amortisation and impairment losses end of year	(17,763)	(7,033)
Carrying amount end of year	26,123	3,654

9 Development projects

Recognized development projects comprise expenses held for the development of a new ERP system as well as development of the E-commerce platform. Development of a new ERP system started in 2018 and went online in 2019. The ERP system replaced an old system and includes improved functionalities that can support the business decisions drive profitability in the company. The ERP system has been developed further throughout the year.

The E-commerce platform went online in August 2016. Investments has continued during the financial year to develop the functionality and to expand the market and thereby grow the business. The market potential is considered sufficiently favorable and therefore, the incurred expenses are recognized.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	8,964	14,404
Additions	59	172
Disposals	(4,694)	(3,569)
Cost end of year	4,329	11,007
Depreciation and impairment losses beginning of year	(7,223)	(9,566)
Depreciation for the year	(1,021)	(1,761)
Reversal regarding disposals	4,637	3,491
Depreciation and impairment losses end of year	(3,607)	(7,836)
Carrying amount end of year	722	3,171

11 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	6
Cost end of year	6
Carrying amount end of year	6

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Masai Clothing Company Inc.	United States of America	Inc.	100

12 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

13 Deferred tax

	2020/21	2019/20
	DKK'000	DKK'000
Intangible assets	5,953	6,554
Property, plant and equipment	(315)	(292)
Inventories	(2,156)	(651)
Receivables	(569)	(1,301)
Provisions	0	101
Liabilities other than provisions	(70)	(116)
Deferred tax	2,843	4,295

	2020/21	2019/20
	DKK'000	DKK'000
Changes during the year		
Beginning of year	4,295	795
Recognised in the income statement	(1,452)	3,395
Recognised directly in equity	0	105
End of year	2,843	4,295

14 Other provisions

Other provisions mainly relate to provisions for expected returns.

15 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21 DKK'000
Other payables	3,932
	3,932

16 Unrecognised rental and lease commitments

	2020/21	2019/20
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	10,328	12,533

17 Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Daisy 2015 Management ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

18 Related parties with controlling interest

Daisy 2015 Management ApS is a related party and has a controlling interest in the Company.

19 Transactions with related parties

No transactions with related parties were made in 2020/21 that were not on arm's length basis

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Daisy 2015 Management ApS, Denmark

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Daisy 2015 Topco Limited, United Kingdom

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Company staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Writedowns of current assets that exceed normal writedowns

Writedowns of current assets exceeding ordinary writedowns are those on receivables that differ from ordinary writedowns of these items.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with Daisy 2015 Management ApS. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Goodwill**

Goodwill comprises the Company's purchase of stores and leases. Goodwill is initially measured at cost less accumulated amortisation. Amortisation is made on a straight-line basis over the expected useful life of up to ten years in relation to the lease contract.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise purchased software.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The amortisation period is five years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Joint taxation contributions payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Cash flow statement is prepared in the overlying parent. The company has thereof, referring to the Danish Financial Statements Act § 86, not prepared cash flow statement.