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# ***Monarch A/S***

c/o SSP Denmark A/S, Lufthavnsboulevard 14, 1.,  
DK-2770 Kastrup

## **Annual Report for 1 October 2020 - 30 September 2021**

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CVR No 18 06 89 82

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
7 /2 2022

Dorte Westrup Gleie  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Monarch A/S for the financial year 1 October 2020 - 30 September 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 September 2021 of the Company and of the results of the Company operations for 2020/21.

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

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

Kastrup, 7 February 2022

## **Executive Board**

Dorte Westrup Gleie  
CEO

## **Board of Directors**

Jeremy James Fennell  
Chairman

Morten Solberg Nilsen

Dorte Westrup Gleie

# Independent Auditor's Report

To the Shareholder of Monarch A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2021 and of the results of the Company's operations for the financial year 1 October 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Monarch A/S for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 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 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.

# Independent Auditor's Report

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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

# **Independent Auditor's Report**

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 7 February 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Klaus Rytz

statsautoriseret revisor

mne33205

## **Company Information**

### **The Company**

Monarch A/S  
c/o SSP Denmark A/S  
Lufthavnsboulevard 14, 1.  
DK-2770 Kastrup

Telephone: + 45 32 48 32 48

CVR No: 18 06 89 82

Financial period: 1 October - 30 September

Incorporated: 1 October 1994

Municipality of reg. office: Tårnby

### **Board of Directors**

Jeremy James Fennell, Chairman  
Morten Solberg Nilsen  
Dorte Westrup Gleie

### **Executive Board**

Dorte Westrup Gleie

### **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

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

	<u>2020/21</u> TDKK	<u>2019/20</u> TDKK	<u>2018/19</u> TDKK	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	28.002	44.021	81.458	88.728	104.295
Gross profit/loss	23.303	33.216	56.315	51.623	63.792
Profit/loss before financial income and expenses	1.219	6.244	16.326	10.286	16.197
Net profit/loss for the year	2.392	5.356	17.053	9.368	16.819
<b>Balance sheet</b>					
Balance sheet total	152.542	151.579	144.300	131.610	127.740
Equity	104.537	102.145	96.789	79.736	70.368
Investment in property, plant and equipment	325	135	0	1.964	1.871
Number of employees	44	64	89	123	113
<b>Ratios</b>					
Gross margin	83,2%	75,5%	69,1%	58,2%	61,2%
Profit margin	4,4%	14,2%	20,0%	11,6%	15,5%
Solvency ratio	68,5%	67,4%	67,1%	60,6%	55,1%
Return on equity	2,3%	5,4%	19,3%	12,5%	27,1%



# Management's Review

## Key activities

The company's activity is the operation of restaurants along the motorway network. The company currently operates 11 units in Denmark.

Most of the restaurants are operated from rented premises, while some are run from owned premises on rented grounds.

Monarch's business proposition is to operate a profitable restaurant chain, which is recognised as the most popular people's favourite eatery along the highways.

## Development in the year

The income statement of the Company for 2020/21 shows a profit of TDKK 2,392, and at 30 September 2021 the balance sheet of the Company shows equity of TDKK 104,537.

Before the COVID-19 outbreak in the first quarter of calendar year 2020, Management expected revenues and EBITDA for FY21 in line with the previous year and expected revenues and EBITDA for FY21 to be down on FY20 due to the fact that there would be a full year impact of COVID-19.

## Outlook

The Company's outlook for the future is positive. We think that we have handled the COVID-19 situation great and therefore we are positive for the future.

It is expected that the company's total activities in the coming year will develop positively, as loss-making units are being shut down or divested. Likewise, a positive effect is expected of the increased traffic on the motorway network – we also expect that the COVID-19 situation will generate more local activity in Denmark over the next couple of years which we assume will have a positive impact on our units.

Monarch A/S, Select Service Partner A/S and SSP Financing ApS will be merged during 2022 with SSP Financing ApS as the ongoing entity. Management assesses that there is no uncertainty about the ability to continue as going concern in the merged entity due to support from SSP Financing Limited. Moreover, reference is made to subsequent events, in which the matter is described in further details.

## Research and development

The company does not carry out systematic research, but it continuously adjusts its own products and the business concept in the individual sales outlets. Costs related to this are expensed on an ongoing basis.

# Management's Review

## External environment

In connection with an ever-increasing focus on the surrounding environment, the company has continuously exchanged individual refrigeration plants. Furthermore, the company focuses on continuously replacing incandescent bulbs for LEDs.

We carry out our activities with a high focus on our environment and stakeholders and with constant focus on minimizing the environmental impacts of our business. At present, group policy is followed as local Danish policies have not been introduced regarding our impact on the climate, human rights, and the environment in general.

Statutory statement on climate, environment, social- and staff matters and human rights, cf. the Danish Financial Statements Act, is included in the consolidated financial statements published by the company's ultimate owner SSP Group plc in the Group's annual report for 2020/21 (p.32 to p.42). The Group's report can be found on the website: <https://investors.foodtravelexperts.com/investors/financial-reports/2022.aspx>

## Intellectual capital resources

It is essential for Monarch A/S's continued operations to attract and retain well-trained staff who understand how best to service our guests. In this connection, the company offers both internal and external training programs.

## Statement of corporate social responsibility

The company wishes to develop its core business and meet its new strategic challenges in an economically and socially sound manner.

Our business model is focused on meeting the food and beverage needs of our clients and customers in the complex and challenging travel environment. We can achieve this through a combination of international scale and local expertise.

In connection with recruitment, gender, age, and cultural backgrounds are ignored, as emphasis is placed on the right skills, and if they are present, there is equal opportunity for all. We do not compile reports about employees' backgrounds, so we are unable to report on this.

Food safety and quality are essential for Monarch A/S. There is increasing focus on quality, food safety and product hygiene from various sources, including guests, the press, and authorities. Thus, as in previous years, considerable amounts have been incurred for hygiene requirements. It is important that all products are produced under the same food safety conditions and under the same quality system, regardless of which restaurant or café is involved. The company's self-control program, which guarantees high food safety, is implemented in all our units.

This has resulted in most of all units having achieved the company's goal of Elite Smiley.

Monarch A/S has not developed formal policies to CSR, including climate, environment, risks and social-

## **Management's Review**

and staff matters, cf. 99 a of the Danish Financial Statements Act. Therefore, we referred to the consolidated financial statements published by the company's ultimate owner SSP Group plc in the Group's annual report for 2020/21 (p.28 to p.32). The Group's report can be found on the website: <https://investors.foodtravelexperts.com/investors/financial-reports/2022.aspx>

### **Statement on gender composition**

In Monarch A/S, members are elected to the Board of Directors and the other management roles based on competencies. The Board recognizes the value of diversity in relation to experience, culture, education, and gender.

At the current stage, we have 3 members of the Board, of whom 1 member is a female. Therefore, according to the 99b requirements we do not need to set additional targets for the underrepresented gender in the Board.

At the current stage, we have 9 members of the management team, of whom 6 members are female. Therefore, according to the 99b requirements we do not need to set additional targets for the underrepresented gender in the Board.

### **Unusual events**

The financial position at September 2021 of the company and the results of the activities of the company for the financial year 2020/2021 have been affected by the COVID-19 situation. Our hope was to grow back to 2019 level, but due to the lockdown from December 2020 to May 2021, we faced a drop in our sales which has affected our profit in a negative way.

### **Subsequent events**

During 2022 Select Service Partner A/S and the Company will be merged into SSP Denmark Financing ApS, effective from 1 October 2021. SSP Denmark Financing ApS will be the ongoing entity and will therefore have activities as an operator of bars, cafes, cafeterias, restaurants and kiosks in travel locations (Copenhagen Airport, Copenhagen Central Station, and in motorway service stations). The Company will cease to exist, but its operations will continue in SSP Denmark Financing ApS.

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

## Income Statement 1 October - 30 September

	Note	2020/21 TDKK	2019/20 TDKK
<b>Revenue</b>		<b>28.002</b>	<b>44.021</b>
Other operating income	1	13.997	13.940
Expenses for raw materials and consumables		-7.587	-10.694
Other external expenses		-11.109	-14.051
<b>Gross profit/loss</b>		<b>23.303</b>	<b>33.216</b>
Staff expenses	2	-20.705	-25.437
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.379	-1.535
<b>Profit/loss before financial income and expenses</b>		<b>1.219</b>	<b>6.244</b>
Financial income	4	2.424	2.026
Financial expenses	5	-577	-551
<b>Profit/loss before tax</b>		<b>3.066</b>	<b>7.719</b>
Tax on profit/loss for the year	6	-674	-2.363
<b>Net profit/loss for the year</b>		<b>2.392</b>	<b>5.356</b>

## Balance Sheet 30 September

### Assets

	Note	2020/21 TDKK	2019/20 TDKK
Other fixtures and fittings, tools and equipment		0	0
Leasehold improvements		1.680	2.782
<b>Property, plant and equipment</b>	7	<b>1.680</b>	<b>2.782</b>
Investments in associate company	8	306	306
Other receivables	9	4.004	4.219
<b>Fixed asset investments</b>		<b>4.310</b>	<b>4.525</b>
<b>Fixed assets</b>		<b>5.990</b>	<b>7.307</b>
<b>Inventories</b>		<b>828</b>	<b>836</b>
Trade receivables		95	2.039
Receivables from group enterprises		142.170	138.484
Other receivables		1.294	1.130
Deferred tax asset	10	1.272	1.182
Prepayments	11	293	109
<b>Receivables</b>		<b>145.124</b>	<b>142.944</b>
<b>Cash at bank and in hand</b>		<b>600</b>	<b>492</b>
<b>Currents assets</b>		<b>146.552</b>	<b>144.272</b>
<b>Assets</b>		<b>152.542</b>	<b>151.579</b>

# Balance Sheet 30 September

## Liabilities and equity

	Note	2020/21 TDKK	2019/20 TDKK
Share capital		501	501
Reserve for net revaluation under the equity method		49	49
Retained earnings		103.987	101.595
<b>Equity</b>		<b>104.537</b>	<b>102.145</b>
Other provisions	12	1.020	1.020
<b>Provisions</b>		<b>1.020</b>	<b>1.020</b>
Trade payables		3.246	3.833
Payables to group enterprises		37.230	35.938
Payables to group enterprises relating to corporation tax		2.784	3.732
Other payables		3.725	4.911
<b>Short-term debt</b>		<b>46.985</b>	<b>48.414</b>
<b>Debt</b>		<b>46.985</b>	<b>48.414</b>
<b>Liabilities and equity</b>		<b>152.542</b>	<b>151.579</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	501	49	101.595	102.145
Net profit/loss for the year	0	0	2.392	2.392
<b>Equity at 30 September</b>	<b>501</b>	<b>49</b>	<b>103.987</b>	<b>104.537</b>

## Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	TDKK	TDKK
<b>1 Other operating income</b>		
Adjustment of provision for restoration costs	0	270
Government support/aid regarding fixed costs	3.965	488
Government support/aid regarding salary compensation	3.665	2.865
Other income	6.367	10.317
	<u>13.997</u>	<u>13.940</u>
<b>2 Staff expenses</b>		
Wages and salaries	18.667	22.716
Pensions	1.758	2.242
Other social security expenses	261	421
Other staff expenses	19	58
	<u>20.705</u>	<u>25.437</u>
<b>Average number of employees</b>	<u>44</u>	<u>64</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

There is no remuneration paid to the Board of Directors.

The company's management team is subject to a constant bonus scheme under which the criteria for payment is the development in revenue and profit before depreciation (EBITDA) in relation to the budget.



## Notes to the Financial Statements

	2020/21	2019/20
	TDKK	TDKK
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	0	8
Depreciation of property, plant and equipment	1.379	1.527
	<b>1.379</b>	<b>1.535</b>
Which is specified as follows:		
Software	0	8
Other fixtures and fittings, tools and equipment	0	124
Leasehold improvements	1.379	1.403
	<b>1.379</b>	<b>1.535</b>
<b>4 Financial income</b>		
Interest received from group enterprises	2.078	1.740
Interest received from associates	0	280
Other financial income	342	0
Exchange adjustments	4	6
	<b>2.424</b>	<b>2.026</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	533	461
Other financial expenses	29	61
Exchange adjustments, expenses	15	29
	<b>577</b>	<b>551</b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	764	2.019
Deferred tax for the year	-90	-309
Adjustment of tax concerning previous years	0	654
Adjustment of deferred tax concerning previous years	0	-1
	<b>674</b>	<b>2.363</b>

## Notes to the Financial Statements

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK
Cost at 1 October	1.943	25.050	26.993
Additions for the year	0	276	276
Disposals for the year	-1.894	-17.653	-19.547
Cost at 30 September	<u>49</u>	<u>7.673</u>	<u>7.722</u>
Impairment losses and depreciation at 1 October	1.943	22.268	24.211
Depreciation for the year	0	1.379	1.379
Reversal of amortisation of disposals of the year	-1.894	-17.654	-19.548
Impairment losses and depreciation at 30 September	<u>49</u>	<u>5.993</u>	<u>6.042</u>
<b>Carrying amount at 30 September</b>	<b><u>0</u></b>	<b><u>1.680</u></b>	<b><u>1.680</u></b>

## Notes to the Financial Statements

	2020/21 TDKK	2019/20 TDKK
<b>8 Investments in associate company</b>		
Cost at 1 October	257	257
Cost at 30 September	257	257
Value adjustments at 1 October	49	49
Value adjustments at 30 September	49	49
<b>Carrying amount at 30 September</b>	<b>306</b>	<b>306</b>

Investments in associate company are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Motorvejscenter-selskabet af 1990 A/S	Copenhagen	TDKK 500	50%	611	0

### 9 Other fixed asset investments

	Other receivables TDKK
Cost at 1 October	4.219
Disposals for the year	-215
Cost at 30 September	4.004
<b>Carrying amount at 30 September</b>	<b>4.004</b>

### 10 Deferred tax asset

Deferred tax asset at 1 October	1.182	872
Amounts recognised in the income statement for the year	90	309
Adjustment deferred tax concerning previous years	0	1
<b>Deferred tax asset at 30 September</b>	<b>1.272</b>	<b>1.182</b>

# Notes to the Financial Statements

## 11 Prepayments

Prepayments consist of prepaid expenses concerning next financial year.

## 12 Other provisions

Other provisions consist of reestablishment expenses.

Other provisions

	<u>2020/21</u> TDKK	<u>2019/20</u> TDKK
	1.020	1.020
	<u>1.020</u>	<u>1.020</u>

## 13 Distribution of profit

Retained earnings

2.392	5.356
<u>2.392</u>	<u>5.356</u>

## 14 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year

1.359      1.410

Between 1 and 5 years

3.235      4.294

4.594      5.704

### Guarantee obligations

Ordinary bank guarantees provide for landlords and Vejdirektoratet.

1.457      1.857

## Notes to the Financial Statements

### 14 Contingent assets, liabilities and other financial obligations (continued)

#### Other contingent liabilities

As part of the operation of the company's business, Monarch A/S, is involved in disputes with a few suppliers. In Management's opinion, the outcome of these disputes will most likely not affect the Company's financial position, which is why liabilities in respect of these issues are not recognised in the balance sheet at 30 September 2020.

The Group's companies are jointly and severally liable for tax on the group's jointly taxed income. The total tax liability is disclosed in the annual report of SSP Denmark Financing ApS as the management company of the joint taxation group. The group companies are jointly and severally liable for the payments of income taxes as well as withholding taxes on dividends, royalties and interest. Potential changes to the income taxes or withholding taxes might lead to the company's liability being a higher amount.

# Notes to the Financial Statements

## 15 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
SSP Denmark Financing ApS, Kastrup, Danmark	Parent company
SSP Group plc., London, England	Ultimate parent company

### Other related parties

Other enterprises within the SSP Group plc.

### Transactions

Cost of services: TDKK 619 (2019/20: TDKK 1.281)

Revenue: TDKK 4 (2019/20: TDKK 4.299)

Other Expenses: TDKK 4.537 (2019/20: TDKK 7.522)

Financial income: TDKK 2.078 (2019/20: TDKK 461)

Financial expenses: TDKK 0 (2019/20: TDKK 437)

Trade receivables: TDKK 142.170 (2019/20: TDKK 138.484)

Trade payables: TDKK 35.517 (2019/20: TDKK 35.934)

### Consolidated Financial Statements

The Company is included in the Group Annual Report of:

Name	Place of registered office
SSP Group plc.	London, England

The Group Annual Report of SSP Group plc. may be obtained at the following address:

32 Jamestown Road, London, NW1 7HW, England

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Monarch A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of SSP Group plc., the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation and impairment losses.

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

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

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### Leases

Leases are considered operational leases. Services relating to operating leases and other lease agreements are recognized in the income statement over the term of the contract. The company's total liability relating to operating leases and lease agreements is disclosed under contingent liabilities.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

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

## Income Statement

### Revenue

Net sales represent invoiced and delivered sales excluding VAT.

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

### Expenses for raw materials and consumables

Consumption of goods is recognised corresponding to the net sales of the year.

### Other external expenses

Other external expenses comprise expenses for administration, rent and operating equipment, etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses for employees at the sale places, administration and management.

### Amortisation, depreciation and impairment losses

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



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses include interest, gains and losses on receivables, debts and transactions in foreign currency.

### Tax on profit/loss for the year

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

The Company is jointly taxed with 100% owned Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### *Licences (software)*

Licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

The amortisation period is years. Software licences are amortised over the period of the agreement, which is 3-5 years.

### Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	10 year/rent period
Leasehold improvements	Rent period

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If there are indications of impairment, impairment tests are made for each asset or group of assets. Write-downs are made at the recoverable amount, if this is lower than the carrying amount.

As the recoverable amount, the highest value of net selling price and capitalised value is used. The capitalised value is calculated as the present value of the expected net cash flows from the use of the asset or asset group.

### Investments in associates

Investments in associates are recognised and measured under the equity method.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Other fixed asset investments

Other fixed asset investments consist of deposits and long-term loans.

### Inventories

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

### Receivables

Receivables are measured at amortized cost. Write-downs are made to meet expected losses after an individual assessment of receivables.

### Prepayments

Prepayments comprise prepaid expenses concerning expenses for the next financial year.

### Provisions

Provisions include obligations to reestablish leased premises.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method in respect of temporary differences between the financial reporting purpose and tax value of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to taxable non-amortization goodwill and other items where temporary differences - other than business transfers - arose at the time of acquisition without affecting profit or taxable income. In cases where the calculation of the tax value can be made under alternative taxation rules, deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability.

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

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

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Payable and receivable joint taxation contributions are recognized in the balance sheet as "Receivable corporate income tax" or "Payable corporation income tax".

### Financial debts

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

## Notes to the Financial Statements

### 16 Accounting Policies (continued)

#### Financial Highlights

##### Explanation of financial ratios

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