BEIERHOLM
VI SKABER BALANCE

Zupa A/S

Studsgade 29, 8000 Aarhus C

CVR no. 20 64 31 02

Annual report
for the financial year 01.07.21 - 30.06.22

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 24.11.22

Karen Bach Lück
Dirigent

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Company information etc.

The company

Zupa A/S
Studsgade 29
8000 Aarhus C
Registered office: Aarhus
CVR no.: 20 64 31 02
Financial year: 01.07 - 30.06

Executive Board

Mogens Kristensen

Board of Directors

Albert Crilles Sebastian Funder
Lars Bo Hansen
Michael Kaltoft Paterson
Morten Eskildsen
Jesper Angelsø Hjortshøj
Peter Herlev Enevoldsen
Mads Heide Mikkelsen
Peer Brændholt
Mogens Kristensen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Company information etc.

Lawyer

Bech-Bruun

Parent company

Spring Family ApS

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.07.21 - 30.06.22 for Zupa A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.06.22 and of the results of the company's activities for the financial year 01.07.21 - 30.06.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Aarhus C, November 24, 2022

Executive Board

Mogens Kristensen

Board of Directors

Albert Crilles Sebastian Funder Chairman	Lars Bo Hansen	Michael Kaltoft Paterson
Morten Eskildsen	Jesper Angelsø Hjortshøj	Peter Herlev Enevoldsen
Mads Heide Mikkelsen	Peer Brændholt	Mogens Kristensen

To the Shareholder of Zupa A/S

Opinion

We have audited the financial statements of Zupa A/S for the financial year 01.07.21 - 30.06.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30.06.22 and of the results of the company's operations for the financial year 01.07.21 - 30.06.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the 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 Financial Statements Act.

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 Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing 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.

Aarhus, November 24, 2022

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Lars Østergaard
State Authorized Public Accountant
MNE-no. mne26806

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2021/22	2020/21	2019/20	2018/19	2017/18
Profit/loss					
Operating profit	1,354	2,594	-6,091	-7,491	17,177
Index	8	15	-35	-44	100
Total net financials	646	532	430	164	353
Index	183	151	122	46	100
Profit before tax	2,000	3,126	-5,705	-5,973	1,330
Index	150	235	-429	-449	100
Profit for the year	1,418	1,381	-4,465	-5,973	862
Index	165	160	-518	-693	100
Balance					
Total assets	38,937	98,283	77,092	86,629	64,140
Index	61	153	120	135	100
Investments in property, plant and equipment	26	513	121	471	1,139
Index	2	45	11	41	100
Equity	22,658	21,240	15,359	19,823	14,958
Index	151	142	103	133	100

Ratios

	2021/22	2020/21	2019/20	2018/19	2017/18
Profitability					
Return on equity	6%	8%	-25%	-34%	6%
Equity ratio					
Solvency ratio	58%	22%	20%	23%	23%

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The Company carries on business as an advertising agency.

Development in activities and financial affairs

The income statement for the period 01.07.21 - 30.06.22 shows a profit of DKK 1,418,104 against DKK 1,381,050 for the period 01.07.20 - 30.06.21. The balance sheet shows equity of DKK 22,657,678.

The management considers the net profit for the year to be satisfactory, although a decrease in gross profit compared to initial expectation with 13 % and also higher costs (10%) than expected related to the investments in competences and new talent to support future growth.

Outlook

The company expects a profit before tax in the region of mDKK 5,2 for the coming year.
The company's investments in the expansion of the distribution network are expected to be fully realised in the coming year and contribute to improved results. The sales to both existing and new customers are expected to increase by 6 % due to the expansion of the product range and talent. The competition between creative agencies is fierce and balancing short term growth, profit as well as opportunities that support long term growth remains a cardinal part of developing ZUPA.
There is much movement in the agency market these years and ZUPA remains on a continuous lookout for business opportunities to consolidate services and market position even further.

Knowledge resources

The competition for attracting and retaining the right talent is expected to become fiercer.

Investment in staff recruitment and development – at both employee and management level

– is expected and planned to increase in the coming year.

Subsequent events

No important events have occurred after the end of the financial year at time of writing this report.

Income statement

Note		2021/22 DKK	2020/21 DKK
	Gross profit	**48,819,561**	**44,669,676**
1	Staff costs	-46,000,689	-40,988,505
	Profit before depreciation, amortisation, write-downs and impairment losses	**2,818,872**	**3,681,171**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1,028,685	-1,087,017
	Other operating expenses	-436,656	0
	Operating profit	**1,353,531**	**2,594,154**
2	Financial income	2,540,832	2,942,783
3	Financial expenses	-1,894,517	-2,410,906
	Profit before tax	**1,999,846**	**3,126,031**
4	Tax on profit for the year	-581,742	-1,744,981
	Profit for the year	**1,418,104**	**1,381,050**

5 Proposed appropriation account

Balance sheet

ASSETS

Note		30.06.22 DKK	30.06.21 DKK
	Goodwill	2,380,605	2,303,029
6	**Total intangible assets**	**2,380,605**	**2,303,029**
	Leasehold improvements	86,376	579,250
	Other fixtures and fittings, tools and equipment	380,495	719,663
7	**Total property, plant and equipment**	**466,871**	**1,298,913**
8	Deposits	389,053	687,762
	Total investments	**389,053**	**687,762**
	Total non-current assets	**3,236,529**	**4,289,704**
9	Work in progress for third parties	3,978,326	3,097,661
	Trade receivables	15,566,575	13,896,807
	Receivables from group enterprises	15,950,539	73,948,598
10	Prepayments	203,880	2,340,572
	Total receivables	**35,699,320**	**93,283,638**
	Cash	**1,084**	**709,634**
	Total current assets	**35,700,404**	**93,993,272**
	Total assets	**38,936,933**	**98,282,976**

Balance sheet

EQUITY AND LIABILITIES

Note		30.06.22 DKK	30.06.21 DKK
11	Share capital	750,000	750,000
	Retained earnings	21,907,678	20,489,574
	Total equity	**22,657,678**	**21,239,574**
12	Provisions for deferred tax	49,000	481,003
	Total provisions	**49,000**	**481,003**
13	Other payables	1,610,776	2,962,131
	Total long-term payables	**1,610,776**	**2,962,131**
	Payables to other credit institutions	0	32,651
9	Prepayments received from work in progress for third parties	4,905,704	1,767,389
	Prepayments received from customers	0	1,593,251
	Trade payables	2,636,951	4,153,870
	Payables to group enterprises	1,781,785	56,307,278
	Income taxes	1,001,792	210,078
	Other payables	4,293,247	9,535,751
	Total short-term payables	**14,619,479**	**73,600,268**
	Total payables	**16,230,255**	**76,562,399**
	Total equity and liabilities	**38,936,933**	**98,282,976**

14 Contingent liabilities
15 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.07.20 - 30.06.21			
Balance as at 01.07.20	710,000	16,638,785	17,348,785
Net effect of mergers and acquisition of enterprises	40,000	-2,030,261	-1,990,261
Adjusted balance as at 01.07.20	750,000	14,608,524	15,358,524
Group contribution	0	4,500,000	4,500,000
Net profit/loss for the year	0	1,381,050	1,381,050
Balance as at 30.06.21	750,000	20,489,574	21,239,574
Statement of changes in equity for 01.07.21 - 30.06.22			
Balance as at 01.07.21	750,000	20,489,574	21,239,574
Net profit/loss for the year	0	1,418,104	1,418,104
Balance as at 30.06.22	750,000	21,907,678	22,657,678

	2021/22 DKK	2020/21 DKK

1. Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	40,804,282	36,255,282
Pensions	3,172,160	3,340,133
Other social security costs	473,559	477,222
Other staff costs	1,550,688	915,868
Total	46,000,689	40,988,505
Average number of employees during the year	65	67

Pursuant to section 98b (1) of the Danish Financial Statements Act, 3, no. 2 decided not to provide information on management salaries.

2. Financial income

	2021/22 DKK	2020/21 DKK
Interest, group enterprises	2,540,832	2,942,783

3. Financial expenses

	2021/22 DKK	2020/21 DKK
Interest, group enterprises	1,970,925	2,557,465
Other interest expenses	83,383	54,894
Foreign exchange losses	-159,791	-201,453
Other financial expenses	-76,408	-146,559
Total	1,894,517	2,410,906

Notes

	2021/22 DKK	2020/21 DKK

4. Tax on profit for the year

	2021/22 DKK	2020/21 DKK
Current tax for the year	1,001,792	210,078
Adjustment of deferred tax for the year	-432,003	1,534,903
Adjustment of tax in respect of previous years	11,953	0
Total	581,742	1,744,981

5. Proposed appropriation account

	2021/22 DKK	2020/21 DKK
Retained earnings	1,418,104	1,381,050

6. Intangible assets

Figures in DKK	Goodwill
Cost as at 01.07.21	52,817,091
Additions during the year	700,000
Cost as at 30.06.22	53,517,091
Amortisation and impairment losses as at 01.07.21	-50,514,062
Amortisation during the year	-622,424
Amortisation and impairment losses as at 30.06.22	-51,136,486
Carrying amount as at 30.06.22	2,380,605

7. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.07.21	1,613,504	4,802,241
Additions during the year	25,876	0
Disposals during the year	-1,028,957	-113,981
Cost as at 30.06.22	610,423	4,688,260
Depreciation and impairment losses as at 01.07.21	-1,034,253	-4,082,579
Depreciation during the year	-122,671	-283,590
Reversal of depreciation of and impairment losses on disposed assets	632,877	58,404
Depreciation and impairment losses as at 30.06.22	-524,047	-4,307,765
Carrying amount as at 30.06.22	86,376	380,495

8. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.07.21	687,762
Additions during the year	12,410
Disposals during the year	-311,119
Cost as at 30.06.22	389,053
Carrying amount as at 30.06.22	389,053

	30.06.22 DKK	30.06.21 DKK

9. Work in progress for third parties

Work in progress for third parties	4,041,244	2,723,513
On-account invoicing	-4,968,622	-1,393,240
Total work in progress for third parties	-927,378	1,330,273
Work in progress for third parties	3,978,326	3,097,661
Prepayments received from work in progress for third parties, short-term payables	-4,905,704	-1,767,389
Total	-927,378	1,330,272

10. Prepayments

Other prepayments	203,880	2,340,572

11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	750	750,000
Total		750,000

	30.06.22 DKK	30.06.21 DKK

12. Deferred tax

Deferred tax as at 01.07.21	484,003	-1,053,900
Deferred tax recognised in the income statement	-435,003	1,534,903
Deferred tax as at 30.06.22	49,000	481,003

Deferred tax is distributed as below:

Intangible assets	12,000	0
Property, plant and equipment	-202,000	-169,000
Receivables	236,000	650,003
Total	46,000	481,003

13. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 30.06.22	Total payables at 30.06.21
Other payables	1,610,776	1,610,776	2,962,131
Total	1,610,776	1,610,776	2,962,131

14. Contingent liabilities

Lease commitments

Tenancy agreements has been entered into, including parking spaces, at an annual rent of approx. DKK 1.269k. The lease is non-terminable for 1-18 months (total liability of DKK 716k).

In addition, the Company has entered into car lease agreements, which is settled over 6 to 48 months. The remaining liability constitutes DKK 185k.

The Company has leased photo copying machines and IT equipment, which is settled over 60 months. The remaining liability constitutes DKK 843k.

Recourse guarantee commitments

The company enters into a cash-pool arrangement with the group. The group companies are jointly and severally liable for the credit limit.

An all monies mortgage of DKK 34,000k has been provided as security for the group with Nordea Bank A/S, securing a company charge over receivables from sale, other plant, operating equipment and inventory as well as goodwill. The Company's bookvalue of the said assets totals DKK 21.878k on 30 June 2022.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the group's jointly taxed income etc. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments to corporation taxes and withholding taxes may imply that the Company's liability is higher.

15. Related parties

Transactions	Relation	2021/22 DKK

Information is only provided on transactions with related parties that have not been made on an arm's length basis.

The company is included in the consolidated financial statements of the parent Spring Family ApS.

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

16. Accounting policies - continued -

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

LEASES

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

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the

16. Accounting policies - continued -

work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Expenses for consumables comprise the consumables consumed to achieve revenue for the year

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

16. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Goodwill	5-10	0
Leasehold improvements	10	0
Other plant, fixtures and fittings, tools and equipment	1-10	0

Goodwill is amortised over 5-10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

16. Accounting policies - continued -

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

16. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

16. Accounting policies - continued -

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

16. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.