
Pandora Int. ApS

Havneholmen 17-19, DK-1561 Copenhagen V.

Annual Report for 2023

CVR No. 21 41 02 76

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 12/6 2024

Pernille Bregendahl
Jensen
Chairman of the
general meeting

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Management's statement

The Executive Board has today considered and adopted the Annual Report of Pandora Int. ApS for the financial year 1 January - 31 December 2023.

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 on 31 December 2023 of the Company and of the results of the Company operations for 2023.

Further, in our opinion, the Management's review gives a fair view of the development in the Company's operations and financial matters and the results of the Company's operations and its financial position.

We recommend that the Annual Report be approved at the annual general meeting.

Copenhagen, 12 June 2024

Executive Board

Alexander Lacik
Executive Officer

Anders Boyer
Executive Officer

Peter Ring
Executive Officer

Independent Auditor's report

To the shareholder of Pandora Int. ApS

Opinion

We have audited the Financial Statements of Pandora Int. ApS for the financial year 1 January - 31 December 2023, which comprise 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 financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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.

Independent Auditor's report

- 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.

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 Financial 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.

Copenhagen, 12 June 2024

EY Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Mads Vinding

State Authorised Public Accountant

mne42792

Company information

The Company

Pandora Int. ApS
Havneholmen 17-19
1561 Copenhagen V.

Website: www.pandora.net

CVR No: 21 41 02 76

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen municipality

Executive Board

Alexander Lacik
Anders Boyer
Peter Ring

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36, P.O. Box 250
DK-2000 Frederiksberg

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|---------|---------|---------|---------|---------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Revenue | 156,706 | 171,036 | 184,468 | 165,104 | 266,098 |
| Gross profit | 19,471 | 16,301 | 15,565 | 61,372 | 113,091 |
| Profit/loss of primary operations | 7,357 | 7,840 | 5,449 | 7,400 | 5,164 |
| Profit/loss of financial income and expenses | 1,998 | 317 | -76 | -477 | 618 |
| Net profit/loss for the year | 9,900 | 8,068 | 6,373 | 2,923 | 4,647 |
| Balance sheet | | | | | |
| Balance sheet total | 46,051 | 39,112 | 45,091 | 56,049 | 92,029 |
| Investment in property, plant and equipment | 2,516 | 114 | 0 | 0 | 52 |
| Equity | 20,859 | 20,959 | 12,891 | 6,518 | 8,595 |
| Number of employees | 24 | 18 | 23 | 68 | 144 |
| Ratios | | | | | |
| Gross margin | 12.4% | 9.5% | 8.4% | 37.2% | 42.5% |
| Profit margin | 4.7% | 4.6% | 3.0% | 4.5% | 1.9% |

Management's review

Key activities

Business review

The Company's main activity is to sell jewelries through owned and operated Concept Stores, Online Store and to wholesale partners in Denmark and distribution of jewelries to markets in Europe.

Uncertainty in recognizing and measuring

There is no significant uncertainty in recognition and measurement.

Unusual events

The military aggression on Ukraine has triggered uncertainty in economic developments worldwide followed by significant increase in interests and inflation rates. Trading bans of gas imports from Russia led to energy crisis in Europe. Although decline of consumer confidence and reduced discretionary spending was expected the core business of Pandora was not affected and was able to grow in line with the Phoenix strategy. The financial position at 31 December 2023 of the Company and the results of the activities of the Company for the financial year for 2023 have not been affected by this event.

Development in the year

In 2023 the Company's revenues declined from DKK 171 million in 2022 to DKK 156 million in the reporting period due to the transfer of the distribution business in Portugal to newly established Pandora owned and operated operation in Portugal in the mid of 2022.

Despite the decrease in revenues the gross profit increased versus year 2022 to DKK 19 million. The gross margin has benefited from a higher share of domestic business and increased from 9.5% in 2022 to 12,4% in 2023.

The number of employees was increased by 6 to 24 in 2023 due to the opening of new stores in Copenhagen airport. The staff expenses increased by 44% increase in number of employees and inflation.

Furthermore, the income statement of the Company for 2023 shows a net profit of DKK 9.9 million (2022: DKK 8.1 million). The revenue and net profit for the year exceeded management expectations set in 2022.

Subsequent events and outlook

The economic situation is expected to remain volatile but governments and economic experts expect a soft rebound of their economies with reduced price inflation and small growth rates in their gross domestic products for 2024. Altogether the Company is expecting to reach revenue between 155 and 165 million DKK and Net Profit between 7 and 9 million DKK.

As mentioned in the outlook and subsequent events section, The Company's revenue is highly vulnerable to the general economic developments and consumer confidence in Europe and in the other markets where it operates, as well as potential recession caused by geopolitical conflicts affecting European economies.

Income statement 1 January - 31 December

| | Note | 2023 | 2022 |
|---|------|---------------|---------------|
| | | TDKK | TDKK |
| Revenue | | 156,706 | 171,036 |
| Cost of goods sold | | -121,734 | -132,990 |
| Other external expenses | | -15,501 | -21,745 |
| Gross profit | | 19,471 | 16,301 |
| Staff expenses | 1 | -11,573 | -8,092 |
| Depreciation and impairment losses of property, plant and equipment | 2 | -541 | -369 |
| Profit/loss before financial income and expenses | | 7,357 | 7,840 |
| Income from investments in subsidiaries | 3 | 418 | 0 |
| Financial income | 4 | 1,804 | 1,887 |
| Financial expenses | 5 | -224 | -1,570 |
| Profit/loss before tax | | 9,355 | 8,157 |
| Tax on profit/loss for the year | 6 | 545 | -89 |
| Net profit/loss for the year | 7 | 9,900 | 8,068 |

Balance sheet 31 December

Assets

| | Note | 2023 | 2022 |
|--|------|---------------|---------------|
| | | TDKK | TDKK |
| Other intangible assets | | 0 | 0 |
| Intangible assets | 8 | 0 | 0 |
| Other fixtures and fittings, tools and equipment | | 1,987 | 131 |
| Property, plant and equipment in progress | | 235 | 114 |
| Property, plant and equipment | 9 | 2,222 | 245 |
| Investments in subsidiaries | 10 | 122 | 122 |
| Deposits | | 739 | 707 |
| Fixed asset investments | | 861 | 829 |
| Fixed assets | | 3,083 | 1,074 |
| Finished goods and goods for resale | | 6,342 | 3,761 |
| Inventories | | 6,342 | 3,761 |
| Trade receivables | | 15,889 | 14,529 |
| Receivables from group enterprises | | 516 | 1,457 |
| Other receivables | | 13,049 | 12,662 |
| Deferred tax asset | 11 | 5,000 | 4,000 |
| Prepayments | | 745 | 1 |
| Receivables | | 35,199 | 32,649 |
| Cash at bank and in hand | | 1,427 | 1,628 |
| Current assets | | 42,968 | 38,038 |
| Assets | | 46,051 | 39,112 |

Balance sheet 31 December

Liabilities and equity

| | Note | 2023 | 2022 |
|--|------|---------------|---------------|
| | | TDKK | TDKK |
| Share capital | 12 | 2,364 | 2,364 |
| Retained earnings | | 18,495 | 8,595 |
| Proposed dividend for the year | | 0 | 10,000 |
| Equity | | 20,859 | 20,959 |
| | | | |
| Other provisions | 13 | 1,682 | 580 |
| Provisions | | 1,682 | 580 |
| | | | |
| Other payables | | 5,592 | 5,403 |
| Long-term debt | 14 | 5,592 | 5,403 |
| | | | |
| Trade payables | | 2,730 | 3,749 |
| Payables to group enterprises | | 9,855 | 7,177 |
| Corporation tax | | 440 | 70 |
| Other payables | 14 | 4,893 | 1,174 |
| Short-term debt | | 17,918 | 12,170 |
| | | | |
| Debt | | 23,510 | 17,573 |
| | | | |
| Liabilities and equity | | 46,051 | 39,112 |
| | | | |
| Contingent assets, liabilities and other financial obligations | 15 | | |
| Related parties | 16 | | |
| Accounting Policies | 17 | | |

Statement of changes in equity

| | Share capital | Retained earnings | Proposed dividend for the year | Total |
|------------------------------|---------------|-------------------|--------------------------------|---------------|
| | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 2,364 | 8,595 | 10,000 | 20,959 |
| Ordinary dividend paid | 0 | 0 | -10,000 | -10,000 |
| Net profit/loss for the year | 0 | 9,900 | 0 | 9,900 |
| Equity at 31 December | 2,364 | 18,495 | 0 | 20,859 |

Notes to the Financial Statements

| | <u>2023</u> | <u>2022</u> |
|---|---------------|--------------|
| | TDKK | TDKK |
| 1. Staff Expenses | | |
| Wages and salaries | 10,407 | 7,227 |
| Pensions | 506 | 499 |
| Other social security expenses | 161 | 119 |
| Other staff expenses | 499 | 247 |
| | <u>11,573</u> | <u>8,092</u> |
| No remuneration has been paid to the Executive Board. | | |
| Average number of employees | <u>24</u> | <u>18</u> |
| | | |
| | <u>2023</u> | <u>2022</u> |
| | TDKK | TDKK |
| 2. Depreciation and impairment losses of property, plant and equipment | | |
| Depreciation of property, plant and equipment | 541 | 369 |
| | <u>541</u> | <u>369</u> |
| | | |
| | <u>2023</u> | <u>2022</u> |
| | TDKK | TDKK |
| 3. Income from investments in subsidiaries | | |
| Dividends from subsidiaries | 418 | 0 |
| | <u>418</u> | <u>0</u> |
| | | |
| | <u>2023</u> | <u>2022</u> |
| | TDKK | TDKK |
| 4. Financial income | | |
| Interest received from group enterprises | 1,557 | 303 |
| Other financial income | 159 | 39 |
| Exchange adjustments | 88 | 1,545 |
| | <u>1,804</u> | <u>1,887</u> |

Notes to the Financial Statements

| | 2023 | 2022 |
|--|--------------|-------------------------------|
| | TDKK | TDKK |
| 5. Financial expenses | | |
| Other financial expenses | 117 | 85 |
| Exchange adjustments, expenses | 107 | 1,485 |
| | <u>224</u> | <u>1,570</u> |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 6. Income tax expense | | |
| Current tax for the year | 455 | 89 |
| Deferred tax for the year | -1,000 | 0 |
| | <u>-545</u> | <u>89</u> |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 7. Profit allocation | | |
| Proposed dividend for the year | 0 | 10,000 |
| Retained earnings | 9,900 | -1,932 |
| | <u>9,900</u> | <u>8,068</u> |
| | | |
| 8. Intangible fixed assets | | |
| | | Other intangible assets |
| | | TDKK |
| Cost at 1 January | | 5,506 |
| Disposals for the year | | -3,029 |
| Cost at 31 December | | <u>2,477</u> |
| Impairment losses and amortisation at 1 January | | 5,506 |
| Reversal of impairment and amortisation of sold assets | | -3,029 |
| Impairment losses and amortisation at 31 December | | <u>2,477</u> |
| Carrying amount at 31 December | | <u>0</u> |

Notes to the Financial Statements

9. Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress |
|--|---|--|
| | TDKK | TDKK |
| Cost at 1 January | 5,048 | 114 |
| Additions for the year | 2,396 | 121 |
| Disposals for the year | -5,105 | 0 |
| Cost at 31 December | <u>2,339</u> | <u>235</u> |
| Impairment losses and depreciation at 1 January | 4,917 | 0 |
| Depreciation for the year | 540 | 0 |
| Reversal of impairment and depreciation of sold assets | -5,105 | 0 |
| Impairment losses and depreciation at 31 December | <u>352</u> | <u>0</u> |
| Carrying amount at 31 December | <u>1,987</u> | <u>235</u> |
| | <u>2023</u> | <u>2022</u> |
| | TDKK | TDKK |

10. Investments in subsidiaries

| | | |
|---------------------------------------|-------------------|-------------------|
| Cost at 1 January | <u>122</u> | <u>122</u> |
| Cost at 31 December | <u>122</u> | <u>122</u> |
| Carrying amount at 31 December | <u>122</u> | <u>122</u> |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Owner- ship | Equity | Net profit/loss for the year |
|------------------|----------------------------------|----------------|--------|---------------------------------|
| Pandora Norge AS | Norway | 100% | 1,516 | 320 |

Equity and profit for the year (TDKK) have been translated using the exchange rate at the end of the year (65.27) and the average exchange rate (70.73), respectively.

Notes to the Financial Statements

| | 2023 | 2022 |
|---|--------------|--------------|
| | TDKK | TDKK |
| 11. Deferred tax asset | | |
| Deferred tax asset at 1 January | 4,000 | 4,000 |
| Amounts recognised in the income statement for the year | 1,000 | 0 |
| Deferred tax asset at 31 December | 5,000 | 4,000 |

The company has recognised a deferred tax asset of DKK 4 million related to tax losses carry forwards. The deferred tax asset is valued on basis of the estimated taxable income for the following 3-year period in which the tax losses carry forwards can be offset.

12. Share capital

The share capital consists of 2.364,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

| | 2023 | 2022 |
|---|--------------|------------|
| | TDKK | TDKK |
| 13. Other provisions | | |
| Balance at beginning of year | 580 | 1,651 |
| Provision in year | 1,102 | -1,071 |
| | 1,682 | 580 |
| The provisions are expected to mature as follows: | | |
| Within 1 year | 1,203 | 157 |
| Between 1 and 5 years | 479 | 23 |
| After 5 years | 0 | 0 |
| | 1,682 | 180 |

Provisions include obligations to restore leased property as well as refund and warranty liability related to return right provided to customers.

Notes to the Financial Statements

| | 2023 | 2022 |
|--|------|------|
| | TDKK | TDKK |

14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

| | | |
|---------------------------|---------------|--------------|
| After 5 years | 0 | 0 |
| Between 1 and 5 years | 5,592 | 5,403 |
| Long-term part | 5,592 | 5,403 |
| Other short-term payables | 4,893 | 1,174 |
| | <u>10,485</u> | <u>6,577</u> |

15. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Company is jointly taxed with Pandora A/S and other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends in the group of jointly taxed entities. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The rent and lease liabilities include a rent obligation totaling DKK 8.3 mill (2022: DKK 1.3 mill) in noncancelable rent agreements with remaining contract terms of 1-5 years. A bank guarantee of DKK 2.7 mill related to the rent agreements has been set up.

Notes to the Financial Statements

16. Related parties and disclosure of consolidated financial statements

Transactions

Cost of sales TDKK -132,720 (2022: TDKK -132,990)

Other external expenses TDKK -15,502 (2022: TDKK -6,834)

Dividend received from subsidiaries TDKK 418 (2022: TDKK 0)

Interest income from group entities TDKK 7,246 (2022: TDKK 303)

Interest expenses to group entities TDKK 3,756 (2022: TDKK 0)

Receivables from group entities TDKK 258 (2022: TDKK 1,457)

Payables to group entities TDKK -7,664 (2022: TDKK -7,177)

Paid dividends TDKK 10,000 (2022: TDKK -0)

Consolidated Financial Statements

Pandora Int. ApS is included in the Group Annual Report of the Parent Company of the largest and smallest group:

| <u>Name</u> | <u>Place of registered office</u> |
|-------------|---|
| Pandora A/S | Havneholmen 17-19, DK-1561 Copenhagen V |

The Group Annual Report of Pandora A/S can be obtained in the following link:
<https://pandoragroup.com/investor/news-and-reports/annual-reports>

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Pandora Int. ApS for 2023 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 apart from reclassifications of Other provision, which is disclosed under Provisions and Deferred tax asset, which is disclosed under Receivables.

The Financial Statements for 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of, the Company has not prepared consolidated financial statements. The financial statements of Pandora Int. ApS and its subsidiary are included in the consolidated financial statement of Pandora A/S.

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 Pandora A/S, 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, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

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

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Notes to the Financial Statements

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

A refund liability is recognised for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Please refer to provision section for details.

Cost of goods sold

Cost of sales comprise the goods consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

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

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.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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 on equity.

Current tax are computed on the basis of the pretax profit/loss for the year adjusted for non-taxable income expenditure. Taxes paid on account are offset against taxes at year end.

The Company is jointly taxed with the parent company and its Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes (full allocation with reimbursement of tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Intangible assets consist of key money and software. Intangible assets are measured at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Property, plant and equipment

Property, plant and equipment consists of other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

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 is 5 years.

The fixed assets' residual values are determined at nil.

Impairment of fixed assets

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

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flow from the disposal of the asset or the group of assets after the end of the useful life.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

Inventories

Inventories (comprising of finished goods) are measured at the lower of cost using the FIFO method and net realisable value. The cost of goods for resale includes the purchase price as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured in the balance sheet at amortised cost, which usually corresponds to nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

Prepayments

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

Equity - dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions comprise primary return provisions and restoration costs for relocation of leases.

The company recognises a refund and warranty liability related to return rights provided to customers. The return provision for estimated sales returns is recognised when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. Refund liability to cover warranty claims is based on expected replacements provided for products still covered by warranty at the end of the period.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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 be applied as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

The current tax liability and receivable is recognised in the balance sheet as the tax calculated on this year's taxable income, adjusted for prior year's taxable income and prepaid taxes.

Other payables

Other payables are measured at a net realisable value.

Financial Highlights

Explanation of financial ratios

Gross margin

$\text{Gross profit} \times 100 / \text{Revenue}$

Profit margin

$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$