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# ***CHANGE OF SCANDINAVIA RETAIL A/S***

Farum Gydevej 73, DK-3520 Farum

Annual Report for  
1 July 2023 - 30 June 2024

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CVR No. 28 71 13 36

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 16/12 2024

Tom Deichmann  
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 CHANGE OF SCANDINAVIA RETAIL A/S for the financial year 1 July 2023 - 30 June 2024.

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 June 2024 of the Company and of the results of the Company operations for 2023/24.

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.

Farum, 16 December 2024

## Executive Board

Claus Walther Jensen  
Manager

## Board of Directors

Claus Walther Jensen

Gitte Breil

Julie Breil

# Independent Auditor's report

To the shareholder of CHANGE OF SCANDINAVIA RETAIL A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2024 and of the results of the Company's operations for the financial year 1 July 2023 - 30 June 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of CHANGE OF SCANDINAVIA RETAIL A/S for the financial year 1 July 2023 - 30 June 2024, 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 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.

## 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.

# Independent Auditor's report

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

Hillerød, 16 December 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Aslund Pedersen  
State Authorised Public Accountant  
mne17120

Michael Blom  
State Authorised Public Accountant  
mne32797

## Company information

<b>The Company</b>	CHANGE OF SCANDINAVIA RETAIL A/S Farum Gydevej 73 DK-3520 Farum  CVR No: 28 71 13 36 Financial period: 1 July 2023 - 30 June 2024 Municipality of reg. office: Furesø
<b>Board of Directors</b>	Claus Walther Jensen Gitte Breil Julie Breil
<b>Executive Board</b>	Claus Walther Jensen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød

## Financial Highlights

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

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit	92,185	85,317	93,492	70,441	61,593
Profit/loss of primary operations	-2,626	-1,150	21,422	11,155	4,403
Profit/loss of financial income and expenses	-360	-435	-22	655	-34
Net profit/loss for the year	-2,387	-1,268	16,608	9,149	3,360
<b>Balance sheet</b>					
Balance sheet total	103,878	91,420	84,613	91,928	61,651
Investment in property, plant and equipment	7,304	10,919	9,585	3,622	2,830
Equity	16,308	18,695	19,963	3,355	-5,792
Number of employees	217	199	179	146	139
<b>Ratios</b>					
Return on assets	-2.5%	-1.3%	25.3%	12.1%	7.1%
Solvency ratio	15.7%	20.4%	23.6%	3.6%	-9.4%
Return on equity	-13.6%	-6.6%	142.4%	-750.8%	-45.0%

# Management's review

## Key activities

The primary activities of the Company concern the operation of the Change retail concept stores offering lingerie, swimwear and other associated products.

## Development in the year

The income statement of the Company for 2023/24 shows a loss of DKK 2,387,017, and at 30 June 2024 the balance sheet of the Company shows a positive equity of DKK 16,307,730.

## The past year and follow-up on development expectations from last year

Because of the continuously challenging retail environment with high inflation, 23/24 has been another difficult year. We have managed to increase our revenue by 7% overall. We come out of 23/24 with a LFL of +1%. We have seen a drop in traffic in our physical stores but have managed to pick that traffic up in our Webshop.

The management is overall not satisfied with the financial development but during the year we have seen our LFL in our stores being improved. This together with continuing our operational focus we expect to see improvements in 24/25.

## Operating risks

It is assessed that the Company is not exposed to any special business or financial risks generally occurring in the industry.

## Targets and expectations for the year ahead

Management expects a positive development in both gross profit and earnings for next year. We expect to increase profit with approx. DKK 10-15 million.

## Research and development

The Company do not perform any research and development.

## External environment

The Company's environmental impact on its surroundings is very limited. The Company strives to improve and optimize its energy consumption.

## Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income statement 1 July 2023 - 30 June 2024

	Note	2023/24	2022/23
		DKK	DKK
<b>Gross profit</b>		<b>92,185,394</b>	<b>85,317,008</b>
Staff expenses	2	-87,560,796	-79,166,048
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-7,118,449	-6,580,197
Other operating expenses		-132,567	-720,891
<b>Profit/loss before financial income and expenses</b>		<b>-2,626,418</b>	<b>-1,150,128</b>
Income from investments in associates		0	15,730
Financial income	4	19,305	10,177
Financial expenses	5	-379,620	-460,718
<b>Profit/loss before tax</b>		<b>-2,986,733</b>	<b>-1,584,939</b>
Tax on profit/loss for the year	6	599,716	316,448
<b>Net profit/loss for the year</b>	7	<b>-2,387,017</b>	<b>-1,268,491</b>

## Balance sheet 30 June 2024

### Assets

	Note	2023/24	2022/23
		DKK	DKK
Acquired licenses		0	838
Acquired other similar rights		3,482,969	4,137,410
<b>Intangible assets</b>	<b>8</b>	<b>3,482,969</b>	<b>4,138,248</b>
Other fixtures and fittings, tools and equipment		12,958,043	12,184,313
Leasehold improvements		7,402,953	7,069,842
Property, plant and equipment in progress		0	265,805
<b>Property, plant and equipment</b>	<b>9</b>	<b>20,360,996</b>	<b>19,519,960</b>
Deposits	10	5,181,890	5,045,421
<b>Fixed asset investments</b>		<b>5,181,890</b>	<b>5,045,421</b>
<b>Fixed assets</b>		<b>29,025,855</b>	<b>28,703,629</b>
Finished goods and goods for resale		47,236,709	41,114,200
<b>Inventories</b>		<b>47,236,709</b>	<b>41,114,200</b>
Trade receivables		2,024,156	2,067,839
Receivables from group enterprises		14,416,714	11,854,083
Other receivables		1,895,778	1,027,553
Prepayments	11	2,505,453	2,065,833
<b>Receivables</b>		<b>20,842,101</b>	<b>17,015,308</b>
<b>Cash at bank and in hand</b>		<b>6,772,954</b>	<b>4,587,125</b>
<b>Current assets</b>		<b>74,851,764</b>	<b>62,716,633</b>
<b>Assets</b>		<b>103,877,619</b>	<b>91,420,262</b>

## Balance sheet 30 June 2024

### Liabilities and equity

	Note	2023/24	2022/23
		DKK	DKK
Share capital	12	500,000	500,000
Retained earnings		15,807,730	18,194,748
<b>Equity</b>		<b>16,307,730</b>	<b>18,694,748</b>
Provision for deferred tax	13	1,184,416	1,564,292
<b>Provisions</b>		<b>1,184,416</b>	<b>1,564,292</b>
Deposits		400,000	400,000
<b>Long-term debt</b>	14	<b>400,000</b>	<b>400,000</b>
Prepayments received from customers		2,787,568	1,798,438
Trade payables		5,941,792	4,163,213
Payables to group enterprises		56,469,983	42,082,432
Corporation tax		5,517,929	5,737,769
Other payables		13,549,583	15,975,592
Deferred income	15	1,718,618	1,003,778
<b>Short-term debt</b>		<b>85,985,473</b>	<b>70,761,222</b>
<b>Debt</b>		<b>86,385,473</b>	<b>71,161,222</b>
<b>Liabilities and equity</b>		<b>103,877,619</b>	<b>91,420,262</b>
Contingent assets, liabilities and other financial obligations	16		
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## Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 July	500,000	18,194,747	18,694,747
Net profit/loss for the year	0	-2,387,017	-2,387,017
<b>Equity at 30 June</b>	<b>500,000</b>	<b>15,807,730</b>	<b>16,307,730</b>

# Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
<b>1. Other operating income</b>		
Market contribution	20,528,000	19,475,000
Other income	2,112,314	1,679,317
	<u>22,640,314</u>	<u>21,154,317</u>
	2023/24	2022/23
	DKK	DKK
<b>2. Staff Expenses</b>		
Wages and salaries	79,687,534	72,907,772
Pensions	4,795,765	4,134,475
Other social security expenses	1,501,908	1,425,465
Other staff expenses	1,575,589	698,336
	<u>87,560,796</u>	<u>79,166,048</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>Average number of employees</b>	<u>217</u>	<u>199</u>
	2023/24	2022/23
	DKK	DKK
<b>3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	655,279	678,245
Depreciation of property, plant and equipment	6,463,170	5,901,952
	<u>7,118,449</u>	<u>6,580,197</u>
	2023/24	2022/23
	DKK	DKK
<b>4. Financial income</b>		
Other financial income	4,505	0
Exchange adjustments	14,800	10,177
	<u>19,305</u>	<u>10,177</u>

## Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
<b>5. Financial expenses</b>		
Interest paid to group enterprises	15,886	0
Other financial expenses	37	5,774
Exchange adjustments, expenses	363,697	454,944
	<u>379,620</u>	<u>460,718</u>
	2023/24	2022/23
	DKK	DKK
<b>6. Income tax expense</b>		
Deferred tax for the year	-599,716	-316,448
	<u>-599,716</u>	<u>-316,448</u>
	2023/24	2022/23
	DKK	DKK
<b>7. Profit allocation</b>		
Retained earnings	-2,387,017	-1,268,491
	<u>-2,387,017</u>	<u>-1,268,491</u>
<b>8. Intangible fixed assets</b>		
	Acquired licenses	Acquired other similar rights
	DKK	DKK
Cost at 1 July	51,218	14,045,427
Cost at 30 June	<u>51,218</u>	<u>14,045,427</u>
Impairment losses and amortisation at 1 July	50,380	9,908,017
Amortisation for the year	838	654,441
Impairment losses and amortisation at 30 June	<u>51,218</u>	<u>10,562,458</u>
Carrying amount at 30 June	<u>0</u>	<u>3,482,969</u>

## Notes to the Financial Statements

### 9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment in progress
	DKK	DKK	DKK
Cost at 1 July	26,048,853	38,189,705	265,805
Additions for the year	4,026,342	1,750,972	1,526,892
Transfers for the year	515,813	1,276,885	-1,792,697
Cost at 30 June	<u>30,591,008</u>	<u>41,217,562</u>	<u>0</u>
Impairment losses and depreciation at 1 July	13,864,540	31,119,863	0
Depreciation for the year	3,768,425	2,694,746	0
Impairment losses and depreciation at 30 June	<u>17,632,965</u>	<u>33,814,609</u>	<u>0</u>
<b>Carrying amount at 30 June</b>	<b><u>12,958,043</u></b>	<b><u>7,402,953</u></b>	<b><u>0</u></b>
Including assets under finance leases amounting to	<u>0</u>	<u>3,171</u>	<u>0</u>

### 10. Other fixed asset investments

	Deposits
	DKK
Cost at 1 July	5,045,421
Additions for the year	231,983
Disposals for the year	-95,514
Cost at 30 June	<u>5,181,890</u>
<b>Carrying amount at 30 June</b>	<b><u>5,181,890</u></b>

### 11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

### 12. Share capital

The share capital consists of 10 shares of a nominal value of DKK 50,000. No shares carry any special rights.

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

## Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
<b>13. Provision for deferred tax</b>		
Deferred tax liabilities at 1 July	1,564,292	1,880,740
Refund in the jointed taxation	219,840	0
Amounts recognised in the income statement for the year	-599,716	-316,448
<b>Deferred tax liabilities at 30 June</b>	<b>1,184,416</b>	<b>1,564,292</b>

	2023/24	2022/23
	DKK	DKK
<b>14. Long-term debt</b>		

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:

### Deposits

After 5 years	0	0
Between 1 and 5 years	400,000	400,000
Long-term part	400,000	400,000
Within 1 year	0	0
	<b>400,000</b>	<b>400,000</b>

### 15. Deferred income

Deferred income comprises gift certificates unused at the balance sheet date.

	2023/24	2022/23
	DKK	DKK
<b>16. Contingent assets, liabilities and other financial obligations</b>		

### Charges and security

The following assets have been placed as security with bankers:

Bank debts of the Company and the affiliate, Change of Scandinavia A/S are secured by way of a company pledge of nominal value DKK 80,000 thousand. The booked value of assets at 30 June amounts to

52,743,834	47,320,291
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## Notes to the Financial Statements

	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
<b>16. Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Rental and lease obligations	40,706,276	47,951,724

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Asian Import ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 17. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
Change of Scandinavia Holding A/S	Parent Company

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

No transactions with related parties were made in the financial year 2023/24 which were not made on arm's length basis.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

<u>Name</u>	<u>Place of registered office</u>
Asian Import ApS	Farum Gydevej 73, 3520 Farum
Change of Scandinavia Holding A/S	Farum Gydevej 73, 3520 Farum

## 18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 19. Accounting policies

The Annual Report of CHANGE OF SCANDINAVIA RETAIL A/S for 2023/24 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 2023/24 are presented in DKK.

### 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 Change of Scandinavia Holding 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.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

# Notes to the Financial Statements

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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

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

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

### Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

### Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

### 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 associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

# Notes to the Financial Statements

## Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for 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 other group Companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance sheet

### Intangible fixed assets

Acquired other similar rights is measured at cost less accumulated amortisation. Acquired other similar rights is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5-8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

### 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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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	3-8 years
Leasehold improvements	5-8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### 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 amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

# Notes to the Financial Statements

## Investments in associates

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

The item “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

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.

## Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

## Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

# Notes to the Financial Statements

## Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

## Financial liabilities

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

## Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Financial Highlights

### Explanation of financial ratios

Return on assets  $\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$

Solvency ratio  $\text{Equity at year end} \times 100 / \text{Total assets at year end}$

Return on equity  $\text{Net profit for the year} \times 100 / \text{Average equity}$