
Change of Scandinavia Retail A/S

Farum Gydevej 73, DK-3520 Farum

Annual Report for 1 July 2019 - 30 June 2020

CVR No 28 71 13 36

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/11 2020

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 2019 - 30 June 2020.

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 2020 of the Company and of the results of the Company operations for 2019/20.

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, 27 November 2020

Executive Board

Claus Walther Jensen
CEO

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 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020 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 2019 - 30 June 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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, 27 November 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Michael Blom

statsautoriseret revisor

mne32797

Company Information

The Company

Change of Scandinavia Retail A/S
Farum Gydevej 73
DK-3520 Farum

CVR No: 28 71 13 36
Financial period: 1 July - 30 June
Incorporated: 12 May 2005
Financial year: 16th financial year
Municipality of reg. office: Furesø

Board of Directors

Claus Walther Jensen
Gitte Breil
Julie Breil

Executive Board

Claus Walther Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Financial Highlights

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

	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK
Key figures					
Profit/loss					
Gross profit/loss	61.593	59.506	55.147	53.790	42.037
Operating profit/loss	-10.078	-4.290	-7.757	2.661	-3.223
Profit/loss before financial income and expenses	4.403	3.254	1.255	2.661	-3.223
Net financials	-34	-186	-951	-2.262	-1.912
Net profit/loss for the year	3.360	2.796	235	586	-5.080
Balance sheet					
Balance sheet total	61.651	63.905	66.865	56.105	51.205
Equity	-5.792	-9.152	-11.948	-12.184	-12.771
Investment in property, plant and equipment	2.830	1.081	3.742	3.205	5.368
Number of employees	139	137	143	139	118
Ratios					
Return on assets	7,1%	5,1%	1,9%	4,7%	-6,3%
Solvency ratio	-9,4%	-14,3%	-17,9%	-21,7%	-24,9%
Return on equity	-45,0%	-26,5%	-1,9%	-4,7%	49,6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

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 2019/20 shows a profit of DKK 3,359,726, and at 30 June 2020 the balance sheet of the Company shows negative equity of DKK 5,791,828.

The Company has lost more than 50 % of its share capital. As a result, the Company falls within the provisions of section 119 of the Danish Companies Act governing loss of capital. Management expect recovery of the lost equity over the coming years through improved operational performance and/or through debt conversion.

The Parent has issued a letter of support to the Company enabling it to meet its obligations.

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

The Gross profit and profit increased as expected.

Special risks - operating risks and financial risks

Operating risks

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

Targets and expectations for the year ahead

Management expect a positive development in both gross profit and earnings for next year.

Research and development

The Company do not perform any research and development.

External environment

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

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Management's Review

Unusual events

The result of the year has been affected by the Covid-19 pandemic as all of the company's retail stores were temporarily closed during the spring.

The financial position at 30 June 2020 of the Company and the results of the activities of the Company for the financial year for 2019/20 have not been affected by any other unusual events.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	2019/20 DKK	2018/19 DKK
Gross profit/loss		61.592.580	59.505.774
Staff expenses	3	-52.064.897	-50.608.916
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-4.221.690	-5.568.527
Other operating expenses		-903.422	-74.401
Profit/loss before financial income and expenses		4.402.571	3.253.930
Income from investments in associates		170.415	132.635
Financial income	5	92.983	126.115
Financial expenses	6	-297.888	-445.094
Profit/loss before tax		4.368.081	3.067.586
Tax on profit/loss for the year	7	-1.008.355	-271.541
Net profit/loss for the year		3.359.726	2.796.045

Balance Sheet 30 June

Assets

	Note	2019/20 DKK	2018/19 DKK
Acquired licenses		31.569	41.812
Acquired other similar rights		6.182.806	6.881.878
Intangible assets	8	6.214.375	6.923.690
Other fixtures and fittings, tools and equipment		3.882.309	4.136.212
Leasehold improvements		5.453.519	5.899.553
Property, plant and equipment	9	9.335.828	10.035.765
Investments in associates	10	379.872	342.092
Deposits	11	6.073.967	6.311.166
Fixed asset investments		6.453.839	6.653.258
Fixed assets		22.004.042	23.612.713
Inventories		22.235.822	23.547.683
Trade receivables		125.261	307.634
Receivables from group enterprises		11.019.155	9.400.347
Deferred tax asset	15	0	605.103
Corporation tax receivable from group enterprises		1.246.373	238.186
Prepayments	12	906.786	1.385.698
Receivables		13.297.575	11.936.968
Cash at bank and in hand		4.113.587	4.807.351
Currents assets		39.646.984	40.292.002
Assets		61.651.026	63.904.715

Balance Sheet 30 June

Liabilities and equity

	Note	2019/20 DKK	2018/19 DKK
Share capital		500.000	500.000
Reserve for net revaluation under the equity method		279.873	242.093
Retained earnings		<u>-6.571.701</u>	<u>-9.893.647</u>
Equity	13	<u>-5.791.828</u>	<u>-9.151.554</u>
Provision for deferred tax	15	<u>1.411.439</u>	<u>0</u>
Provisions		<u>1.411.439</u>	<u>0</u>
Payables to group enterprises		0	1.541.952
Deposits		400.000	400.000
Other payables		<u>2.981.585</u>	<u>0</u>
Long-term debt	16	<u>3.381.585</u>	<u>1.941.952</u>
Prepayments received from customers		1.839.275	437.699
Trade payables		3.628.322	3.298.199
Payables to group enterprises	16	35.302.580	55.197.771
Other payables	16	20.125.735	9.564.383
Deferred income	17	<u>1.753.918</u>	<u>2.616.265</u>
Short-term debt		<u>62.649.830</u>	<u>71.114.317</u>
Debt		<u>66.031.415</u>	<u>73.056.269</u>
Liabilities and equity		<u>61.651.026</u>	<u>63.904.715</u>
Going concern	1		
Subsequent events	2		
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	242.093	-9.893.647	-9.151.554
Net profit/loss for the year	0	37.780	3.321.946	3.359.726
Equity at 30 June	500.000	279.873	-6.571.701	-5.791.828

Notes to the Financial Statements

1 Going concern

The Company has lost more than 50 % of its share capital. As a result, the Company falls within the provisions of section 119 of the Danish Companies Act governing loss of capital. Management expect recovery of the lost equity over the coming years through improved operational performance and/or through debt conversion.

The Parent has issued a letter of support to the Company enabling it to meet its obligations.

2 Subsequent events

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

	2019/20	2018/19
	DKK	DKK
3 Staff expenses		
Wages and salaries	47.740.229	46.230.451
Pensions	3.229.529	3.295.349
Other social security expenses	822.231	761.043
Other staff expenses	272.908	322.073
	52.064.897	50.608.916
Average number of employees	139	137

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

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	709.316	776.145
Depreciation of property, plant and equipment	3.494.332	3.629.257
Impairment of intangible assets	0	606.142
Impairment of property, plant and equipment	18.042	556.983
	4.221.690	5.568.527

Notes to the Financial Statements

	2019/20 DKK	2018/19 DKK
5 Financial income		
Other financial income	204	1.499
Exchange adjustments	92.779	124.616
	92.983	126.115
6 Financial expenses		
Interest paid to group enterprises	195.364	346.657
Other financial expenses	55.334	8.462
Exchange adjustments, expenses	47.190	89.975
	297.888	445.094
7 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	1.008.355	727.869
Adjustment of deferred tax concerning previous years	0	-456.328
	1.008.355	271.541
8 Intangible assets		
	Acquired licenses DKK	Acquired other similar rights DKK
Cost at 1 July	51.218	14.045.427
Cost at 30 June	51.218	14.045.427
Impairment losses and amortisation at 1 July	9.406	7.163.549
Amortisation for the year	10.243	699.072
Impairment losses and amortisation at 30 June	19.649	7.862.621
Carrying amount at 30 June	31.569	6.182.806

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 July	9.677.872	27.903.878
Additions for the year	1.257.297	1.573.181
Disposals for the year	-33.795	0
Cost at 30 June	<u>10.901.374</u>	<u>29.477.059</u>
Impairment losses and depreciation at 1 July	5.541.660	22.004.325
Depreciation for the year	1.493.158	2.019.215
Impairment and depreciation of sold assets for the year	-15.753	0
Impairment losses and depreciation at 30 June	<u>7.019.065</u>	<u>24.023.540</u>
Carrying amount at 30 June	<u>3.882.309</u>	<u>5.453.519</u>
Including assets under finance leases amounting to	<u>1.355.078</u>	<u>1.970.833</u>

10 Investments in associates

	2019/20 DKK	2018/19 DKK
Cost at 1 July	<u>100.000</u>	<u>100.000</u>
Cost at 30 June	<u>100.000</u>	<u>100.000</u>
Value adjustments at 1 July	242.092	280.580
Net profit/loss for the year	170.415	132.635
Dividends received	-132.635	-171.123
Value adjustments at 30 June	<u>279.872</u>	<u>242.092</u>
Carrying amount at 30 June	<u>379.872</u>	<u>342.092</u>

Notes to the Financial Statements

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Change Sønderborg I/S	Sønderborg	I/S	50%	765.729	296.374

11 Other fixed asset investments

	Deposits DKK
Cost at 1 July	6.311.165
Additions for the year	291.151
Disposals for the year	-528.349
Cost at 30 June	6.073.967
Carrying amount at 30 June	6.073.967

12 Prepayments

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

13 Equity

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

	2019/20	2018/19
	DKK	DKK
14 Distribution of profit		
Reserve for net revaluation under the equity method	37.780	-38.488
Retained earnings	3.321.946	2.834.533
	3.359.726	2.796.045
15 Provision for deferred tax		
Provision for deferred tax at 1 July	-605.103	-876.600
Amounts recognised in the income statement for the year	1.008.355	727.869
Adjustements	1.008.187	-456.372
Provision for deferred tax at 30 June	1.411.439	-605.103
Intangible and tangible assets	1.942.306	2.321.182
Lease	-364.844	-859.309
Other	199.492	264.440
Tax loss carry-forward	-365.515	-2.331.416
Transferred to deferred tax asset	0	605.103
	1.411.439	0
Deferred tax asset		
Calculated tax asset	0	605.103
Carrying amount	0	605.103

The recognised tax asset last year comprises of financial lease debt and tax loss carry-forwards expected to be utilised within the next three to four years. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Company having expected future growth in both revenue and profit. The realized figures shows an growth in both revenue and profit. Also it was expected that taxable losses carry forward can be used by other group Companies.

Notes to the Financial Statements

16 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:

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
Payables to group enterprises		
Between 1 and 5 years	0	1.541.952
Long-term part	<u>0</u>	<u>1.541.952</u>
Within 1 year	1.658.382	2.364.000
Other short-term debt to group enterprises	33.644.198	52.833.771
Short-term part	<u>35.302.580</u>	<u>55.197.771</u>
	<u>35.302.580</u>	<u>56.739.723</u>
Deposits		
Between 1 and 5 years	400.000	400.000
Long-term part	<u>400.000</u>	<u>400.000</u>
Within 1 year	0	0
	<u>400.000</u>	<u>400.000</u>
Other payables		
Between 1 and 5 years	2.981.585	0
Long-term part	<u>2.981.585</u>	<u>0</u>
Other short-term payables	20.125.735	9.564.383
	<u>23.107.320</u>	<u>9.564.383</u>

17 Deferred income

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

Notes to the Financial Statements

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
18 Contingent assets, liabilities and other financial obligations		
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 60,000 thousand. The booked value of assets at 30 June amounts to	37.911.286	40.199.504
Rental and lease obligations		
Rental and lease obligations	24.858.957	15.755.450

Other contingent liabilities

The Company holds ownership interests in the partnership Change - Sønderborg I/S. Consequently, the Company is liable in accordance with the rules of the Executive Order on the Danish Act on Certain Commercial Undertakings stating that all owners are personally liable without limitation as well as jointly and severally liable for the obligations of the undertaking.

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.

Notes to the Financial Statements

19 Related parties

Basis

Controlling interest

Change of Scandinavian 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 2019/20 which were not made on arm's length basis.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Change of Scandinavia Holding A/S

Consolidated Financial Statements

The Company is included in the Consolidated accounts for the parent Company

Name

Place of registered office

Asian Import ApS

Farum Gydevej 73, 3520 Farum

Change of Scandinavia Holding A/S

Farum Gydevej 73, 3520 Farum

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Change of Scandinavia Retail A/S for 2019/20 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 2019/20 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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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

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 and distribution as well as office expenses, etc.

Notes to the Financial Statements

20 Accounting Policies (continued)

Gross profit/loss

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 expenses comprise wages and salaries as well as payroll expenses.

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.

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 in equity.

The Company is jointly taxed with Danish and foreign group Companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

20 Accounting Policies (continued)

Balance Sheet

Intangible 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 raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 14,100 are expensed in the year of acquisition.

Impairment of fixed assets

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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

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 based on weighted average prices 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. 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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Prepayments

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

Equity

Dividend

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

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

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

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the

Notes to the Financial Statements

20 Accounting Policies (continued)

loan made over the term of the loan at the date of raising the loan.

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