

---

# ***Change of Scandinavia Retail A/S***

Farum Gydevej 73, DK-3520 Farum

## **Annual Report for 1 July 2021 - 30 June 2022**

---

CVR No 28 71 13 36

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/11 2022

Tom Deichmann  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 July - 30 June	9
Balance Sheet 30 June	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# 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 2021 - 30 June 2022.

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 2022 of the Company and of the results of the Company operations for 2021/22.

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, 26 November 2022

## 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 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022 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 2021 - 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material 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, 26 November 2022

**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: 18th 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:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	93,492	70,441	61,593	59,506	55,147
Operating profit/loss	7,723	-12,687	-10,078	-4,290	-7,757
Profit/loss before financial income and expenses	21,422	11,155	4,403	3,254	1,255
Net financials	-22	655	-34	-186	-951
Net profit/loss for the year	16,608	9,149	3,360	2,796	235
<b>Balance sheet</b>					
Balance sheet total	84,613	91,928	61,651	63,905	66,865
Equity	19,963	3,355	-5,792	-9,152	-11,948
Investment in property, plant and equipment	9,585	3,622	-2,830	1,081	3,742
Number of employees	179	148	139	137	143
<b>Ratios</b>					
Return on assets	25.3%	12.1%	7.1%	5.1%	1.9%
Solvency ratio	23.6%	3.6%	-9.4%	-14.3%	-17.9%
Return on equity	142.4	N/A	N/A	N/A	N/A



# 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 2021/22 shows a profit of DKK 16,608,353, and at 30 June 2022 the balance sheet of the Company shows equity of DKK 19,963,238.

As a result of the profitable result the Company has further improved the Company's solvency.

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

The Gross profit and profit increased as expected.

## ***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 expects 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.

## **Unusual events**

The financial position at 30 June 2022 of the Company and the results of the activities of the Company for the financial year for 2021/22 have not been affected by any other unusual events.

## **Management's Review**

### **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	2021/22 DKK	2020/21 DKK
<b>Gross profit/loss</b>		<b>93,491,920</b>	<b>70,441,072</b>
Staff expenses	3	-66,781,997	-54,870,277
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-5,089,225	-4,318,980
Other operating expenses		-198,698	-96,942
<b>Profit/loss before financial income and expenses</b>	5	<b>21,422,000</b>	<b>11,154,873</b>
Income from investments in associates		-87,604	646,510
Financial income	6	146,190	105,184
Financial expenses	7	-80,387	-96,347
<b>Profit/loss before tax</b>		<b>21,400,199</b>	<b>11,810,220</b>
Tax on profit/loss for the year	8	-4,791,846	-2,661,597
<b>Net profit/loss for the year</b>		<b>16,608,353</b>	<b>9,148,623</b>
<b>Proposed distribution of profit</b>			
Reserve for net revaluation under the equity method		-926,382	646,509
Retained earnings		17,534,735	8,502,114
		<b>16,608,353</b>	<b>9,148,623</b>

# Balance Sheet 30 June

## Assets

	Note	2021/22 DKK	2020/21 DKK
Acquired licenses		11,082	21,325
Acquired other similar rights		4,805,411	5,488,918
<b>Intangible assets</b>	9	<b>4,816,493</b>	<b>5,510,243</b>
Other fixtures and fittings, tools and equipment		7,703,035	4,009,734
Leasehold improvements		6,615,578	5,277,917
Property, plant and equipment in progress		213,815	55,015
<b>Property, plant and equipment</b>	10	<b>14,532,428</b>	<b>9,342,666</b>
Investments in associates	11	0	1,026,382
Deposits	12	5,198,241	5,589,657
<b>Fixed asset investments</b>		<b>5,198,241</b>	<b>6,616,039</b>
<b>Fixed assets</b>		<b>24,547,162</b>	<b>21,468,948</b>
<b>Inventories</b>		<b>38,025,472</b>	<b>30,271,216</b>
Trade receivables		978,209	757,179
Receivables from group enterprises		6,414,735	32,009,846
Other receivables		475,649	0
Prepayments	13	1,874,953	1,713,850
<b>Receivables</b>		<b>9,743,546</b>	<b>34,480,875</b>
<b>Cash at bank and in hand</b>		<b>12,296,686</b>	<b>5,707,250</b>
<b>Currents assets</b>		<b>60,065,704</b>	<b>70,459,341</b>
<b>Assets</b>		<b>84,612,866</b>	<b>91,928,289</b>

# Balance Sheet 30 June

## Liabilities and equity

	Note	2021/22 DKK	2020/21 DKK
Share capital	14	500,000	500,000
Reserve for net revaluation under the equity method		0	926,382
Retained earnings		19,463,238	1,928,463
<b>Equity</b>		<b>19,963,238</b>	<b>3,354,845</b>
Provision for deferred tax	16	1,880,740	1,971,574
<b>Provisions</b>		<b>1,880,740</b>	<b>1,971,574</b>
Deposits		400,000	400,000
Other payables		0	3,408,100
<b>Long-term debt</b>	17	<b>400,000</b>	<b>3,808,100</b>
Prepayments received from customers		1,003,041	865,516
Trade payables		6,669,140	5,808,374
Payables to group enterprises		29,366,867	48,106,764
Corporation tax		5,737,769	855,089
Other payables	17	18,764,861	25,324,081
Deferred income	18	827,210	1,833,946
<b>Short-term debt</b>		<b>62,368,888</b>	<b>82,793,770</b>
<b>Debt</b>		<b>62,768,888</b>	<b>86,601,870</b>
<b>Liabilities and equity</b>		<b>84,612,866</b>	<b>91,928,289</b>
Subsequent events	1		
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Accounting Policies	21		

## 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	926,382	1,928,463	3,354,845
Other equity movements	0	0	40	40
Net profit/loss for the year	0	-926,382	17,534,735	16,608,353
<b>Equity at 30 June</b>	<b>500,000</b>	<b>0</b>	<b>19,463,238</b>	<b>19,963,238</b>

# Notes to the Financial Statements

## 1 Subsequent events

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

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
<b>2 Other operating income</b>		
Compensation Covid-19, Danish Government	1,690,268	6,932,114
Market contribution	10,763,270	15,489,678
Other income	1,444,581	1,516,942
	<u><b>13,898,119</b></u>	<u><b>23,938,734</b></u>
<b>3 Staff expenses</b>		
Wages and salaries	61,418,791	50,235,099
Pensions	3,680,581	3,589,389
Other social security expenses	1,148,338	836,701
Other staff expenses	534,287	209,088
	<u><b>66,781,997</b></u>	<u><b>54,870,277</b></u>
<b>Average number of employees</b>	<u><b>179</b></u>	<u><b>148</b></u>

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

## Notes to the Financial Statements

	2021/22 DKK	2020/21 DKK
<b>4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	693,751	704,132
Depreciation of property, plant and equipment	4,395,474	3,614,848
	<b>5,089,225</b>	<b>4,318,980</b>
<b>5 Special items</b>		
Compensation Covid-19	1,690,268	6,932,114
	<b>1,690,268</b>	<b>6,932,114</b>
The Company have received compensation related to Covid-19.		
<b>6 Financial income</b>		
Exchange adjustments	146,190	105,184
	<b>146,190</b>	<b>105,184</b>
<b>7 Financial expenses</b>		
Interest paid to group enterprises	270	46,196
Other financial expenses	23,444	23,224
Exchange adjustments, expenses	56,673	26,927
	<b>80,387</b>	<b>96,347</b>
<b>8 Tax on profit/loss for the year</b>		
Current tax for the year	4,882,680	2,101,462
Deferred tax for the year	-90,834	560,135
	<b>4,791,846</b>	<b>2,661,597</b>



## Notes to the Financial Statements

### 9 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	29,893	8,556,509
Amortisation for the year	10,243	683,507
Impairment losses and amortisation at 30 June	40,136	9,240,016
<b>Carrying amount at 30 June</b>	<b>11,082</b>	<b>4,805,411</b>

### 10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK	Total DKK
Cost at 1 July	12,749,329	31,195,774	55,015	44,000,118
Additions for the year	4,855,284	608,411	4,121,542	9,585,237
Transfers for the year	910,986	3,051,756	-3,962,742	0
Cost at 30 June	18,515,599	34,855,941	213,815	53,585,355
Impairment losses and depreciation at 1 July	8,739,595	25,917,857	0	34,657,452
Depreciation for the year	2,072,969	2,322,506	0	4,395,475
Impairment losses and depreciation at 30 June	10,812,564	28,240,363	0	39,052,927
<b>Carrying amount at 30 June</b>	<b>7,703,035</b>	<b>6,615,578</b>	<b>213,815</b>	<b>14,532,428</b>
Including assets under finance leases amounting to	686,188	1,075,708	0	1,761,896

## Notes to the Financial Statements

	2021/22 DKK	2020/21 DKK
<b>11 Investments in associates</b>		
Cost at 1 July	100,000	100,000
Disposals for the year	-100,000	0
Cost at 30 June	<u>0</u>	<u>100,000</u>
Value adjustments at 1 July	926,382	279,872
Net effect from merger and acquisition	-483,686	0
Net profit/loss for the year	-87,604	646,510
Dividends received	-355,092	0
Value adjustments at 30 June	<u>0</u>	<u>926,382</u>
<b>Carrying amount at 30 June</b>	<b><u>0</u></b>	<b><u>1,026,382</u></b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Change Sønderborg I/S	Sønderborg	I/S	50%

Change Sønderborg I/S is closed 31 December 2021.

### 12 Other fixed asset investments

	Deposits DKK
Cost at 1 July	5,589,657
Additions for the year	150,100
Disposals for the year	-541,516
Cost at 30 June	<u>5,198,241</u>
<b>Carrying amount at 30 June</b>	<b><u>5,198,241</u></b>

### 13 Prepayments

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

# Notes to the Financial Statements

## 14 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.

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
<b>15 Distribution of profit</b>		
Reserve for net revaluation under the equity method	-926,382	646,509
Retained earnings	<u>17,534,735</u>	<u>8,502,114</u>
	<b><u>16,608,353</u></b>	<b><u>9,148,623</u></b>

## 16 Provision for deferred tax

Provision for deferred tax at 1 July	1,971,574	1,411,439
Amounts recognised in the income statement for the year	<u>-90,834</u>	<u>560,135</u>
<b>Provision for deferred tax at 30 June</b>	<b><u>1,880,740</u></b>	<b><u>1,971,574</u></b>
Tax loss carry-forward	<u>1,880,740</u>	<u>1,971,574</u>
	<b><u>1,880,740</u></b>	<b><u>1,971,574</u></b>

# Notes to the Financial Statements

## 17 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>2021/22</u> DKK	<u>2020/21</u> DKK
<b>Deposits</b>		
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><b>400,000</b></u>	<u><b>400,000</b></u>
<b>Other payables</b>		
Between 1 and 5 years	0	3,408,100
Long-term part	<u>0</u>	<u>3,408,100</u>
Other short-term payables	18,764,861	25,324,081
	<u><b>18,764,861</b></u>	<u><b>28,732,181</b></u>

## 18 Deferred income

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

## Notes to the Financial Statements

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
<b>19 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
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	43,820,175	36,538,638
<b>Rental and lease obligations</b>		
Rental and lease obligations	47,555,254	46,457,669

### 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.

# Notes to the Financial Statements

## 20 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 2021/22 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

## 21 Accounting Policies

The Annual Report of Change of Scandinavia Retail A/S for 2021/22 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 2021/22 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Change of Scandinavia Holding A/S, the Company has not prepared consolidated financial statements.

### 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

The Financial Statements have been prepared under the historical cost method.

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.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### 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.

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



# Notes to the Financial Statements

## 21 Accounting Policies (continued)

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.

### **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.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### 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.

## 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.

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.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

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

If 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 di-

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

rect 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.

### **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.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### 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 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$