Leadership Pipeline Institute A/S

Bredgade 30, DK-1260 København K

Annual Report for 1 January - 31 December 2020

CVR No 29 97 14 63

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/5 2021

Kent Oksfeldt Jonasen
Chairman of the General Meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Consolidated and Parent Company Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Leadership Pipeline Institute A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations for 2020.

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.

København, 17 May 2021

Executive Board

Kent Oksfeldt Jonasen
CEO

Board of Directors

Søren Jens Laungaard Chairman	Kent Oksfeldt Jonasen	James Noel Deputy Chairman

Independent Auditor's Report

To the Shareholders of Leadership Pipeline Institute A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Leadership Pipeline Institute A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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 Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company

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 Group's and 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 Group or 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 and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 17 May 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Michael Blom
statsautoriseret revisor
mne32797

Company Information

The Company	Leadership Pipeline Institute A/S Bredgade 30 DK-1260 København K Telephone: + 45 + 45 7022 1202 Website: www.leadershippipelineinstitute.com CVR No: 29 97 14 63 Financial period: 1 January - 31 December Municipality of reg. office: København
Board of Directors	Søren Jens Laungaard, Chairman Kent Oksfeldt Jonasen James Noel
Executive Board	Kent Oksfeldt Jonasen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød

Financial Highlights

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

	Group			
	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK
Key figures				
Profit/loss				
Alternative Revenue 1)	41.661	51.345	43.300	31.800
Revenue	33.506	44.363	37.167	28.643
Gross profit/loss	14.331	17.250	14.643	10.973
Operating profit/loss	8.529	12.364	11.179	8.062
Profit/loss before financial income and expenses	8.698	12.364	11.179	8.062
Net financials	-237	-37	-3	-43
Net profit/loss for the year	6.712	9.128	8.855	6.222
Balance sheet				
Balance sheet total	20.586	26.536	21.150	16.431
Equity	12.218	11.246	10.972	8.576
Investment in property, plant and equipment	0	0	0	4
Number of employees	5	5	3	1
Ratios				
Gross margin	42,8%	38,9%	39,4%	38,3%
Profit margin	26,0%	27,9%	30,1%	28,1%
Return on assets	42,3%	46,6%	52,9%	49,1%
Solvency ratio	59,4%	42,4%	51,9%	52,2%
Return on equity	57,2%	82,2%	90,6%	79,2%

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

1) Alternative revenue is total revenue totally incurred by Group and external partners. For external partners the Group only recognized the received Royalty.

Management's Review

Key activities

The company sells leadership and specialist development solutions directly to clients and via licensees.

Today, the Leadership Pipeline is perceived as one of the most influential leadership models through the last two decades. A significant number of the FORTUNE 500 companies have succesfully implemented the Leadership Pipeline as their main leadership infrastructure for selecting and growing leaders at all levels and it has seamlessly been applied to corporate, non-profit and public organisations around the world.

Leadership Pipeline Institute is specialized in supporting organizations building an internal pipeline of qualified leaders and in creating empowered, performance- and execution-focused organizations. We support organisations in succeding in the ways that are most important to them.

Over the past fiftheen years more than 20,000 leaders have completed our uniquely designed Leadership Pipeline programs.

Leadership Pipeline Institute is a global institute with subsidiaries, license partners and professional facilitators in all regions of the world.

Management's Review

Leadership Pipeline Institute has a team of more than 60 executive consultant – highly qualified, multicultural and multilingual - engaged in research and work with clients on Leadership Pipeline-based solutions worldwide. We are able to deliver our key services in more than 20 languages. During 2020 the team was expanded into Hong Kong and Shanghai, and subsidiaries established.

Leadership Pipeline Institute is highly data driven. All solutions are based on continuous collection and analysis of data related to training impact and leadership behavior.

Below we have illustrated our key activities:

Development in the year

The income statement of the Group for 2020 shows a profit of DKK 6.7 million (2019: DKK 9.1 million) and equity of DKK 12.2 million at 31 December 2020 (2019: DKK 11.2 million).

The revenue of the Group has decreased from DKK 44.4 million in 2019 to DKK 33.5 million in 2020. A part of the revenue is incurred by external partners using the Group's methodologies. The Group recognizes a share of the revenue. In case the revenue was generated by the Group itself, total revenue would show DKK 51.3 million in 2019 and DKK 41.7 million in 2020.

Despite the decrease in revenue due to COVID-19 impact (please refer to 'Capital resources'), the margins has increased from 2019, especially in the parent Company. This is driven by a relative larger part of the training being delivered online in 2020, reducing direct costs relatively more than the revenue.

The income statement of the parent Company for 2020 shows a profit of DKK 6.0 million (2019: DKK 7.6 million) and equity of DKK 10.6 million at 31 December 2020 (2019: DKK 9.7 million).

Capital resources

In 2020, COVID-19 has impacted the Company both in respect of revenue and profit. Especially Q2 was a challenging period where client activity decreased with more than 50% compared to same period in 2019. However, most client transitioned into online delivery of training during Q3 and Q4. COVID-19 will also impact the business negatively in 2021 as business development is negatively impacted by severe global travel restrictions. We do, however, expect that the impact of COVID-19 in 2021 will be less significant than in 2020, and consequently expect a higher level of revenue and profit in 2021. Management assesses that the financial resources available are adequate for the coming year.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group 2020 DKK	Group 2019 DKK	Parent 2020 DKK	Parent 2019 DKK
Revenue		**33.505.807**	**44.363.247**	**18.207.542**	**22.281.617**
Other operating income		169.899	0	1.249.288	1.289.070
Other external expenses		-19.344.649	-27.113.649	-7.963.737	-13.107.247
Gross profit/loss		**14.331.057**	**17.249.598**	**11.493.093**	**10.463.440**
Staff expenses	1	-5.632.621	-4.885.835	-5.511.702	-4.885.835
Profit/loss before financial income and expenses		**8.698.436**	**12.363.763**	**5.981.391**	**5.577.605**
Income from investments in subsidiaries		0	0	1.469.626	3.370.797
Financial income		106.446	66.298	21.429	20.035
Financial expenses		-343.092	-103.128	-115.656	-85.586
Profit/loss before tax		**8.461.790**	**12.326.933**	**7.356.790**	**8.882.851**
Tax on profit/loss for the year	2	-1.749.419	-3.198.791	-1.307.548	-1.276.224
Net profit/loss for the year		**6.712.371**	**9.128.142**	**6.049.242**	**7.606.627**

Distribution of profit

Proposed distribution of profit

	Group 2020 DKK	Group 2019 DKK	Parent 2020 DKK	Parent 2019 DKK
Proposed dividend for the year	6.000.000	5.100.000	6.000.000	5.100.000
Reserve for net revaluation under the equity method	0	0	29.626	2.293.672
Minority interests' share of net profit/loss of subsidiaries	663.129	1.521.515	0	0
Retained earnings	49.242	2.506.627	19.616	212.955
	6.712.371	**9.128.142**	**6.049.242**	**7.606.627**

Balance Sheet 31 December

Assets

	Note	Group 2020 DKK	Group 2019 DKK	Parent 2020 DKK	Parent 2019 DKK
Completed development projects		0	0	0	0
Intangible assets		**0**	**0**	**0**	**0**
Investments in subsidiaries	3	0	0	4.175.421	4.725.450
Deposits		49.173	47.741	49.173	47.741
Fixed asset investments		**49.173**	**47.741**	**4.224.594**	**4.773.191**
Fixed assets		**49.173**	**47.741**	**4.224.594**	**4.773.191**
Trade receivables		7.457.942	15.139.417	4.858.415	9.932.416
Receivables from group enterprises		1.680.076	0	3.815.054	1.676.432
Other receivables		577.956	196.341	43.339	0
Corporation tax		99.926	0	0	0
Prepayments		49.672	259.098	43.524	102.896
Receivables		**9.865.572**	**15.594.856**	**8.760.332**	**11.711.744**
Cash at bank and in hand		**10.671.404**	**10.893.254**	**2.709.878**	**4.774.245**
Currents assets		**20.536.976**	**26.488.110**	**11.470.210**	**16.485.989**
Assets		**20.586.149**	**26.535.851**	**15.694.804**	**21.259.180**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent	
	Note	2020	2019	2020	2019
		DKK	DKK	DKK	DKK
Share capital		500.000	500.000	500.000	500.000
Reserve for net revaluation under the equity method		0	0	2.335.421	2.325.450
Retained earnings		4.112.222	4.082.637	1.776.801	1.757.182
Proposed dividend for the year		6.000.000	5.100.000	6.000.000	5.100.000
Equity attributable to shareholders of the Parent Company		**10.612.222**	**9.682.637**	**10.612.222**	**9.682.632**
Minority interests		1.605.480	1.563.063	0	0
Equity		**12.217.702**	**11.245.700**	**10.612.222**	**9.682.632**
Other payables		0	80.058	0	80.058
Long-term debt	4	**0**	**80.058**	**0**	**80.058**
Trade payables		1.686.760	3.403.076	571.759	2.019.026
Payables to group enterprises		0	3.175.104	0	3.175.104
Payables to owners and Management		22.932	52.057	22.932	22.932
Corporation tax		1.728.633	2.400.534	1.307.548	1.262.668
Other payables	4	3.668.464	4.141.399	3.180.343	3.479.530
Deferred income		1.261.658	2.037.923	0	1.537.230
Short-term debt		**8.368.447**	**15.210.093**	**5.082.582**	**11.496.490**
Debt		**8.368.447**	**15.290.151**	**5.082.582**	**11.576.548**
Liabilities and equity		**20.586.149**	**26.535.851**	**15.694.804**	**21.259.180**
Contingent assets, liabilities and other financial obligations	5				
Subsequent events	6				
Accounting Policies	7				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	0	4.082.637	5.100.000	9.682.637	1.563.063	11.245.700
Exchange adjustments	0	0	-19.657	0	-19.657	0	-19.657
Ordinary dividend paid	0	0	0	-5.100.000	-5.100.000	-500.000	-5.600.000
Other equity movements	0	0	0	0	0	-120.712	-120.712
Net profit/loss for the year	0	0	49.242	6.000.000	6.049.242	663.129	6.712.371
Equity at 31 December	**500.000**	**0**	**4.112.222**	**6.000.000**	**10.612.222**	**1.605.480**	**12.217.702**

Parent

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	500.000	2.325.450	1.757.185	5.100.000	9.682.635	0	9.682.635
Exchange adjustments	0	-19.655	0	0	-19.655	0	-19.655
Ordinary dividend paid	0	0	0	-5.100.000	-5.100.000	0	-5.100.000
Net profit/loss for the year	0	29.626	19.616	6.000.000	6.049.242	0	6.049.242
Equity at 31 December	**500.000**	**2.335.421**	**1.776.801**	**6.000.000**	**10.612.222**	**0**	**10.612.222**

Notes to the Financial Statements

		Group		Parent	
		2020	2019	2020	2019
		DKK	DKK	DKK	DKK
1	**Staff expenses**				
	Wages and salaries	5.051.742	4.230.103	4.930.823	4.230.103
	Pensions	510.448	556.807	510.448	556.807
	Other social security expenses	29.532	14.979	29.532	14.979
	Other staff expenses	40.899	83.946	40.899	83.946
		5.632.621	**4.885.835**	**5.511.702**	**4.885.835**
	Average number of employees	**5**	**5**	**5**	**5**
2	**Tax on profit/loss for the year**				
	Current tax for the year	1.749.419	3.198.791	1.307.548	1.276.224
		1.749.419	**3.198.791**	**1.307.548**	**1.276.224**

		Parent	
		2020	2019
		DKK	DKK
3	**Investments in subsidiaries**		
	Cost at 1 January	400.000	400.000
	Cost at 31 December	400.000	400.000
	Value adjustments at 1 January	4.325.450	4.431.778
	Exchange adjustment	-19.655	42.875
	Net profit/loss for the year	1.469.626	3.370.797
	Dividend to the Parent Company	-2.000.000	-3.520.000
	Value adjustments at 31 December	3.775.421	4.325.450
	Carrying amount at 31 December	**4.175.421**	**4.725.450**

Notes to the Financial Statements

4 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:

	Group		Parent	
	2020	2019	2020	2019
	DKK	DKK	DKK	DKK
Other payables				
Between 1 and 5 years	0	80.058	0	80.058
Long-term part	0	80.058	0	80.058
Other short-term payables	3.668.468	4.141.399	3.180.343	3.479.530
	3.668.468	**4.221.457**	**3.180.343**	**3.559.588**

5 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Rental obligation, period of non-terminability 3 months	49.000	47.741	49.000	47.741

Other contingent liabilities

The Danish 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 Human Capital Invest ApS, which is the management company of the joint taxation purposes. Moreover, the Danish 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.

6 Subsequent events

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

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Leadership Pipeline Institute A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in DKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Leadership Pipeline Institute A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

7 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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.

Notes to the Financial Statements

7 Accounting Policies (continued)

Income Statement

Revenue

Revenue from sale of leadership development is recognised during the period, where the service is delivered to the customer. 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 Group.

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

Other external expenses

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

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 Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” 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

7 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 subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries

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

The item“Investments in subsidiaries” 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.

The total net revaluation of investments in subsidiaries 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 subsidiaries.

Subsidiaries 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.

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.

Notes to the Financial Statements

7 Accounting Policies (continued)

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

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

Gross margin $\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$

Notes to the Financial Statements

7 Accounting Policies (continued)

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