



MZ Denmark ApS

Oslo Plads 2
2100 Copenhagen Ø
CVR No. 31252741

Annual report 2020

The Annual General Meeting adopted the
annual report on 15.06.2021

Yafei Wen

Chairman of the General Meeting

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Entity details

Entity

MZ Denmark ApS

Oslo Plads 2

2100 Copenhagen Ø

Business Registration No.: 31252741

Date of foundation: 31.01.2008

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

Executive Board

Amy Elise Keating

Yafei Wen

Winifred Mitchell Baker

Frank Albert Huang

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of MZ Denmark ApS for the financial year 01.01.2020 - 31.12.2020

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

San Francisco, 15.06.2021

Executive Board

Amy Elise Keating

Yafei Wen

Winifred Mitchell Baker

Frank Albert Huang

Independent auditor's report

To the shareholders of MZ Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of MZ Denmark ApS for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 15.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jan Larsen

State Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	282,579	302,508	295,920	269,373	260,762
Gross profit/loss	235,783	254,274	230,893	212,576	198,891
Operating profit/loss	12,234	18,609	20,714	19,275	15,828
Net financials	1,028	(1,233)	(65)	(213)	(751)
Profit/loss for the year	25,481	23,981	33,163	19,899	18,846
Balance sheet total	227,388	192,695	160,251	145,264	102,613
Investments in property, plant and equipment	3,271	8,596	22,670	25,775	0
Equity	166,796	143,221	119,854	86,784	67,495
Cash flows from operating activities	41,949	(15,604)	40,809	559	15,821
Cash flows from investing activities	(3,225)	(13,230)	(22,837)	(23,469)	(13,468)
Average number of employees	205	227	190	164	174
Ratios					
Gross margin (%)	83.44	84.06	78.03	78.92	76.27
Net margin (%)	9.02	7.93	11.21	7.39	7.23
Return on equity (%)	16.44	18.23	32.10	25.80	31.90
Equity ratio (%)	73.35	74.33	74.79	59.74	65.78

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

Equity * 100

Balance sheet total

Primary activities

The Group provides internet-based open source software and services (Mozilla Products) which are made available to hundreds of millions of users worldwide to fulfill Mozilla's worldwide mission to make the internet and the web open and accessible to all.

Development in activities and finances

Profit for 2020 amounts to DKK 25,481 thousand, which is in line with the expectations for the year.

Uncertainty relating to recognition and measurement

There has been no uncertainty relating to recognition and measurement.

Particular risks

MZ Denmark bears no particular risks compared to other enterprises and players on the markets on which the Company operates.

Group relations

The Company has a subsidiary in Germany - MZ Denmark GmbH. The MZ Denmark GmbH makes use of exemption rules of sec. 264 (3) of German Commercial Code (HGB) – which relates to preparation of audited financial statements.

Foreign branches

The Company has branches in the following countries:

France

Sweden

The Netherlands

United Kingdom

Spain

Finland

Belgium

Poland

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		282,579,446	302,508,147
Other operating income		8,936	230,899
Other external expenses		(46,805,188)	(48,464,743)
Gross profit/loss		235,783,194	254,274,303
Staff costs	1	(208,290,826)	(219,844,735)
Depreciation, amortisation and impairment losses	2	(15,258,098)	(15,820,555)
Operating profit/loss		12,234,270	18,609,013
Other financial income		1,068,449	5,175
Other financial expenses		(40,320)	(1,238,355)
Profit/loss before tax		13,262,399	17,375,833
Tax on profit/loss for the year	3	12,218,795	6,605,056
Profit/loss for the year	4	25,481,194	23,980,889

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Other fixtures and fittings, tools and equipment		4,560,253	7,829,737
Leasehold improvements		26,985,845	35,996,099
Property, plant and equipment	5	31,546,098	43,825,836
Deposits		2,169,835	2,215,503
Deferred tax	7	5,546,474	4,891,491
Financial assets	6	7,716,309	7,106,994
Fixed assets		39,262,407	50,932,830
Receivables from group enterprises		71,748,708	74,022,229
Other receivables		5,621,608	6,021,052
Tax receivable		50,980,613	39,101,327
Receivables		128,350,929	119,144,608
Cash		59,774,441	22,617,503
Current assets		188,125,370	141,762,111
Assets		227,387,777	192,694,941

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		125,000	125,000
Retained earnings		166,670,896	143,096,285
Equity		166,795,896	143,221,285
Other provisions	8	3,897,505	4,235,223
Provisions		3,897,505	4,235,223
Trade payables		260,500	1,844,701
Payables to group enterprises		11,624,372	4,712,309
Tax payable		386,402	291,553
Other payables		44,401,617	37,713,644
Deferred income	9	21,485	676,226
Current liabilities other than provisions		56,694,376	45,238,433
Liabilities other than provisions		56,694,376	45,238,433
Equity and liabilities		227,387,777	192,694,941
Unrecognised rental and lease commitments	11		
Assets charged and collateral	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125,000	143,096,283	143,221,283
Exchange rate adjustments	0	(1,906,581)	(1,906,581)
Profit/loss for the year	0	25,481,194	25,481,194
Equity end of year	125,000	166,670,896	166,795,896

Consolidated cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		12,234,270	18,609,013
Amortisation, depreciation and impairment losses		15,258,098	15,820,555
Working capital changes	10	13,696,341	(42,118,794)
Cash flow from ordinary operating activities		41,188,709	(7,689,226)
Financial income received		1,068,449	5,175
Financial expenses paid		(40,320)	(1,238,355)
Taxes refunded/(paid)		(268,286)	(6,681,371)
Cash flows from operating activities		41,948,552	(15,603,777)
Acquisition etc. of property, plant and equipment		(3,271,023)	(13,806,609)
Sale of property, plant and equipment		45,668	576,972
Cash flows from investing activities		(3,225,355)	(13,229,637)
Free cash flows generated from operations and investments before financing		38,723,197	(28,833,414)
Increase/decrease in cash and cash equivalents		38,723,197	(28,833,414)
Cash and cash equivalents beginning of year		22,617,503	50,273,650
Currency translation adjustments of cash and cash equivalents		(1,566,259)	1,177,267
Cash and cash equivalents end of year		59,774,441	22,617,503
Cash and cash equivalents at year-end are composed of:			
Cash		59,774,441	22,617,503
Cash and cash equivalents end of year		59,774,441	22,617,503

Notes to consolidated financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	181,625,191	189,435,888
Pension costs	15,204,483	14,841,993
Other staff costs	11,461,152	15,566,854
	208,290,826	219,844,735

Average number of full-time employees	205	227
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2 Depreciation, amortisation and impairment losses

	2020 DKK	2019 DKK
Depreciation on property, plant and equipment	12,233,232	13,133,878
Profit/loss from sale of intangible assets and property, plant and equipment	3,024,866	2,686,677
	15,258,098	15,820,555

3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(11,516,151)	(4,920,602)
Change in deferred tax	(702,644)	(1,085,577)
Adjustment concerning previous years	0	(598,877)
	(12,218,795)	(6,605,056)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 16.3 million (2019: DKK 12.7 million).

4 Proposed distribution of profit/loss

	2020 DKK	2019 DKK
Retained earnings	25,481,194	23,980,889
	25,481,194	23,980,889

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	21,749,711	51,115,840
Exchange rate adjustments	(270,974)	(472,052)
Additions	2,149,356	1,121,667
Disposals	(4,441,053)	(4,991,786)
Cost end of year	19,187,040	46,773,669
Depreciation and impairment losses beginning of year	(13,919,974)	(15,119,741)
Exchange rate adjustments	217,967	199,860
Depreciation for the year	(4,178,287)	(8,022,409)
Reversal regarding disposals	3,253,507	3,154,466
Depreciation and impairment losses end of year	(14,626,787)	(19,787,824)
Carrying amount end of year	4,560,253	26,985,845

6 Financial assets

	Deposits DKK	Deferred tax DKK
Cost beginning of year	2,215,502	4,891,491
Exchange rate adjustments	0	654,983
Additions	656,996	0
Disposals	(702,663)	0
Cost end of year	2,169,835	5,546,474
Carrying amount end of year	2,169,835	5,546,474

7 Deferred tax

	2020 DKK	2019 DKK
Changes during the year		
Beginning of year	4,891,491	3,786,884
Recognised in the income statement	702,644	1,104,607
Exchange rate adjustment	(47,661)	
End of year	5,546,474	4,891,491

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

8 Other provisions

Other provision relates to an asset retirement obligations relating to lease in Berlin, Paris and London.

9 Deferred income

The deferred income relates to lease obligation.

10 Changes in working capital

	2020	2019
	DKK	DKK
Increase/decrease in receivables	2,672,965	(52,687,175)
Increase/decrease in trade payables etc.	11,361,094	8,324,936
Other changes	(337,718)	2,243,445
	13,696,341	(42,118,794)

11 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	9,900,000	17,700,000

12 Assets charged and collateral

One of the Group's leases is secured by way of deposited cash of approx. DKK 0.75 million (EUR 100,000).

13 Subsidiaries

	Registered in	Corporate form	Ownership %
MZ Denmark GmbH	Berlin, Germany	GmbH	100,0

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		146,830,468	162,588,201
Other operating income		0	230,899
Other external expenses		(28,564,815)	(27,109,578)
Gross profit/loss		118,265,653	135,709,522
Staff costs	1	(105,825,140)	(120,882,152)
Depreciation, amortisation and impairment losses	2	(6,322,380)	(5,980,212)
Operating profit/loss		6,118,133	8,847,158
Income from investments in group enterprises		4,229,926	6,398,580
Other financial income		1,068,448	5,175
Other financial expenses		0	(1,230,627)
Profit/loss before tax		11,416,507	14,020,286
Tax on profit/loss for the year	3	14,064,687	9,960,601
Profit/loss for the year	4	25,481,194	23,980,887

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Other fixtures and fittings, tools and equipment		1,260,579	2,404,201
Leasehold improvements		4,341,693	7,640,344
Property, plant and equipment	5	5,602,272	10,044,545
Investments in group enterprises		26,070,224	21,936,834
Deposits		1,066,560	1,107,868
Deferred tax	7	3,722,953	3,060,766
Financial assets	6	30,859,737	26,105,468
Fixed assets		36,462,009	36,150,013
Receivables from group enterprises		71,748,708	74,022,229
Other receivables		1,808,475	1,899,153
Tax receivable		49,172,027	38,957,233
Receivables		122,729,210	114,878,615
Cash		33,689,162	18,356,583
Current assets		156,418,372	133,235,198
Assets		192,880,381	169,385,211

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		125,000	125,000
Reserve for net revaluation according to the equity method		25,846,301	22,636,368
Retained earnings		140,824,595	120,459,915
Equity		166,795,896	143,221,283
Other provisions	8	1,599,878	1,928,517
Provisions		1,599,878	1,928,517
Trade payables		264,875	1,184,219
Tax payable		386,402	291,553
Other payables		23,681,001	22,297,120
Deferred income	9	152,329	462,519
Current liabilities other than provisions		24,484,607	24,235,411
Liabilities other than provisions		24,484,607	24,235,411
Equity and liabilities		192,880,381	169,385,211
Unrecognised rental and lease commitments	10		
Assets charged and collateral	11		
Related parties with controlling interest	12		
Relation to commercial enterprise or another foundation	13		

Parent statement of changes in equity for 2020

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125,000	22,636,368	120,459,915	143,221,283
Exchange rate adjustments	0	0	(1,906,581)	(1,906,581)
Profit/loss for the year	0	3,209,933	22,271,261	25,481,194
Equity end of year	125,000	25,846,301	140,824,595	166,795,896

Notes to parent financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	95,828,306	107,952,501
Pension costs	5,059,605	6,151,384
Other staff costs	4,937,229	6,778,267
	105,825,140	120,882,152
Average number of full-time employees	101	119

2 Depreciation, amortisation and impairment losses

	2020 DKK	2019 DKK
Depreciation on property, plant and equipment	3,297,514	3,293,535
Profit/loss from sale of intangible assets and property, plant and equipment	3,024,866	2,686,677
	6,322,380	5,980,212

3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(13,362,043)	(8,323,195)
Change in deferred tax	(702,644)	(159,176)
Adjustment concerning previous years	0	(1,478,230)
	(14,064,687)	(9,960,601)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 16.3 million (2018: DKK 12.7 million).

4 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Retained earnings	25,481,194	23,980,887
	25,481,194	23,980,887

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	6,998,124	11,058,030
Exchange rate adjustments	(212,541)	(313,986)
Additions	1,200,163	856,001
Disposals	(4,441,053)	(4,991,786)
Cost end of year	3,544,693	6,608,259
Depreciation and impairment losses beginning of year	(4,593,923)	(3,417,686)
Exchange rate adjustments	180,892	153,395
Depreciation for the year	(1,124,590)	(2,156,741)
Reversal regarding disposals	3,253,507	3,154,466
Depreciation and impairment losses end of year	(2,284,114)	(2,266,566)
Carrying amount end of year	1,260,579	4,341,693

6 Financial assets

	Investments in group enterprises DKK	Deposits DKK	Deferred tax DKK
Cost beginning of year	223,923	1,107,868	3,060,766
Exchange rate adjustments	0	0	662,187
Additions	0	656,996	0
Disposals	0	(698,304)	0
Cost end of year	223,923	1,066,560	3,722,953
Revaluations beginning of year	21,712,911	0	0
Exchange rate adjustments	(96,536)	0	0
Share of profit/loss for the year	4,229,926	0	0
Revaluations end of year	25,846,301	0	0
Carrying amount end of year	26,070,224	1,066,560	3,722,953

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

7 Deferred tax

	2020 DKK	2019 DKK
Property, plant and equipment	3,722,953	3,060,766
Deferred tax	3,722,953	3,060,766

	2020	2019
	DKK	DKK
Changes during the year		
Beginning of year	3,060,766	2,883,083
Recognised in the income statement	702,644	177,683
Exchange rate adjustments	(40,457)	0
End of year	3,722,953	3,060,766

8 Other provisions

Other provision relates to an asset retirement obligations relating to lease in Berlin, Paris and London.

9 Deferred income

The amount relates to lease accruals.

10 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	5,500,000	8,600,000

11 Assets charged and collateral

One of the Company's leases is secured by way of deposited cash of approx. DKK 0.75 million (EUR 100,000).

12 Related parties with controlling interest

Mozilla Corporation transferred ownership to Moz 2008 Corporation on 31 December 2020. Moz 2008 Corporation is a wholly owned subsidiary of Mozilla Corporation.

The ultimate owner of Mozilla Corporation is Mozilla Foundation.

Moz 2008 Corporation, 2 Harrison Street #175, San Francisco, CA 94105, USA. owns all shares in the Entity, thus exercising control.

13 Relation to commercial enterprise or another foundation

The MZ Denmark GmbH makes use of exemption rules of sec. 264 (3) of German Commercial Code (HGB), which relates to preparation of audited financial statements.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

The consolidated financial statements and parent financial statements have been prepared using DKK.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	1-7 years
Leasehold improvements	7 years or terms of lease whichever is shorter

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs relating to the asset retirement obligation.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.