Puori ApS

Amaliegade 22, 2., 1256 København K

Company reg. no. 32 56 67 31

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 29 June 2021.

Oliver Amdrup-Chamby
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Puori ApS for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 31 December 2020, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

København K, 29 June 2021

Managing Director

Oliver Amdrup-Chamby

Board of directors

Kasper Struve	Oliver Amdrup-Chamby	John David Shulman
Hans-Julius Heslet	Alexander William Deegan	

Independent auditor's report

To the shareholders of Puori ApS

Opinion

We have audited the consolidated financial statements and the financial statements of Puori ApS for the financial year 1 January to 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies, consolidated and of the company, respectively. The consolidated financial statements and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements present a fair view of the assets, equity and liabilities, and financial position, consolidated and of the company, respectively, at 31 December 2020 and of the results of the company's activities, consolidated and of the company, respectively, for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the consolidated financial statements and the financial statements

Management is responsible for the preparation of consolidated financial statements and financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and 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 unless management either intends to liquidate the group or the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor’s responsibilities for the audit of the consolidated annual accounts and the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 financial statements.

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 the 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 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 preparation of the consolidated financial statements and the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 consolidated financial statements and 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.

Independent auditor's report

- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the financial statements, including disclosures in notes, and whether the consolidated financial statements and the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the 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 the 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 financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the consolidated financial statements or the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management commentary is consistent with the consolidated financial statements and the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 29 June 2021

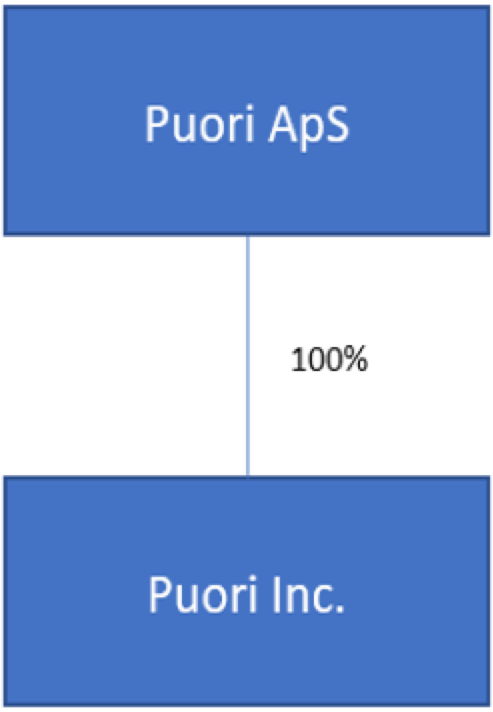
Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin
State Authorised Public Accountant
mne30140

Company information

The company	Puori ApS Amaliegade 22, 2. 1256 København K	
	Company reg. no.	32 56 67 31
	Established:	12 November 2009
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Kasper Struve Oliver Amdrup-Chamby John David Shulman Hans-Julius Heslet Alexander William Deegan	
Managing Director	Oliver Amdrup-Chamby	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Subsidiary	Puori Inc., California	

Group overview



Management commentary

The principal activities of the group

Puori is specialized in nutritional supplements on the basis of a core of scientific research and 3rd party testing. Our production is a unique implementation of technology, innovation and sustainability to create Clean & Superior products and our range is designed to improve health and athletic performance.

The Puori group consists of two entities, Puori ApS in Denmark and the wholly owned subsidiary Puori Inc., a registered Delaware company, located in California, USA.

Development in activities and financial matters

The development in 2020 has been according to the plan. The company has sufficient capital to support the future growth of the company.

The company has lost more than 50% of the contributed capital and therefore the company is a subject to the capital loss provisions. The management is aware og this, they expect a positive devolopment in the future and that the company capital will be re-established by the own operation and the activity in equity investments.

Expected developments

The management expect the result in 2021 to be negative but turn positive in 2022, the focus is to continue to investing in growth activities to further grow the brand awareness, develop the transparency project and expanding sales channels, which will continue during the year.

Income statement 1 January - 31 December

All amounts in DKK.

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Gross profit	**3.773.907**	**-2.242.003**	**4.079.887**	**444.556**
2	Staff costs	-13.084.036	-12.712.912	-12.487.287	-12.114.710
	Depreciation, amortisation, and impairment	-1.089.741	-1.085.480	-1.089.741	-1.085.480
	Other operating costs	-787.303	-529.373	-787.303	-529.373
	Operating profit	**-11.187.173**	**-16.569.768**	**-10.284.444**	**-13.285.007**
	Income from equity investments in group enterprises	0	0	-915.309	-3.301.820
	Other financial income	20.465	154.045	17.867	150.878
	Other financial costs	-2.361.302	-779.085	-2.353.000	-764.583
	Pre-tax net profit or loss	**-13.528.010**	**-17.194.808**	**-13.534.886**	**-17.200.532**
	Tax on net profit or loss for the year	-6.876	-5.727	0	0
	Net profit or loss for the year	**-13.534.886**	**-17.200.535**	**-13.534.886**	**-17.200.532**

Proposed appropriation of net profit:		
Allocated from retained earnings	-13.534.886	-17.200.532
Total allocations and transfers	**-13.534.886**	**-17.200.532**

Statement of financial position at 31 December

All amounts in DKK.

Note	**Assets**	Group 2020	Group 2019	Parent 2020	Parent 2019
	Non-current assets				
3	Completed development projects, including patents and similar rights arising from development projects	600.732	1.065.469	600.732	1.065.469
	Concessions, patents, licenses, trademarks, and similar rights acquired	572.288	843.964	572.288	843.964
4	Development projects in progress and prepayments for intangible assets	0	351.441	0	351.441
	Total intangible assets	1.173.020	2.260.874	1.173.020	2.260.874
	Other fixtures and fittings, tools and equipment	137.800	1.889	137.800	1.889
	Total property, plant, and equipment	137.800	1.889	137.800	1.889
	Other receivables	381.292	403.966	381.292	380.000
	Total investments	381.292	403.966	381.292	380.000
	Total non-current assets	**1.692.112**	**2.666.729**	**1.692.112**	**2.642.763**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Current assets				
	Raw materials and consumables	1.704.637	5.458.949	1.704.637	5.458.949
	Manufactured goods and goods for resale	5.234.308	2.063.940	4.955.259	2.063.940
	Prepayments for goods	293.117	0	293.117	0
	Total inventories	7.232.062	7.522.889	6.953.013	7.522.889
	Trade receivables	7.073.204	6.863.903	6.543.025	6.185.144
	Receivables from group enterprises	0	0	1.616.357	2.639.236
	Deferred tax assets	885.797	976.210	0	0
	Other receivables	10.007	423.813	0	0
	Prepayments and accrued income	14.736	58.602	14.736	58.603
	Total receivables	7.983.744	8.322.528	8.174.118	8.882.983
	Cash on hand and demand deposits	6.342.435	3.837.491	5.119.975	2.416.525
	Total current assets	**21.558.241**	**19.682.908**	**20.247.106**	**18.822.397**
	Total assets	**23.250.353**	**22.349.637**	**21.939.218**	**21.465.160**

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Equity				
	Contributed capital	254.196	254.196	254.196	254.196
	Reserve for development costs	0	0	468.571	725.284
	Reserve for foreign currency translation	1.034.194	0	1.034.194	0
	Retained earnings	-10.419.377	3.115.509	-10.887.946	2.390.228
	Total equity	**-9.130.987**	**3.369.705**	**-9.130.985**	**3.369.708**
	Liabilities other than provisions				
5	Convertible and profit sharing debt instruments	17.500	17.500	17.500	17.500
6	Payables to associates	6.221.281	0	6.221.281	0
7	Other payables	6.598.689	6.037.601	6.598.689	6.037.601
	Total long term liabilities other than provisions	12.837.470	6.055.101	12.837.470	6.055.101
	Short-term part of long-term liabilities	916.715	849.374	916.715	849.374
	Bank loans	6.584.351	4.380.832	6.577.161	4.372.207
	Trade payables	5.417.002	4.153.590	5.035.161	3.574.923
	Other payables	6.625.802	3.541.035	5.703.696	3.243.847
	Total short term liabilities other than provisions	19.543.870	12.924.831	18.232.733	12.040.351
	Total liabilities other than provisions	**32.381.340**	**18.979.932**	**31.070.203**	**18.095.452**
	Total equity and liabilities	**23.250.353**	**22.349.637**	**21.939.218**	**21.465.160**

1 Special items

8 Charges and security

9 Contingencies

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital not paid	Reserve for development costs	Reserve for foreign currency translation	Retained earnings	Total
Equity 1 January 2019	253.996	0	0	20.460.199	20.714.195
Cash capital increase	200	0	0	0	200
Profit or loss for the year brought forward	0	0	0	-17.200.535	-17.200.535
Currency adjustment	0	0	0	-211.356	-211.356
Share premium account	0	0	0	67.201	67.201
Equity 1 2020	254.196	0	0	3.115.509	3.369.705
Profit or loss for the year brought forward	0	0	0	-13.534.886	-13.534.886
Currency adjustment	0	0	1.034.194	0	1.034.194
	254.196	**0**	**1.034.194**	**-10.419.377**	**-9.130.987**

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Reserve for development costs	Reserve for foreign currency translation	Retained earnings	Total
Equity 1 January 2019	253.996	1.070.177	0	19.390.023	20.714.196
Cash capital increase	200	0	0	0	200
Profit or loss for the year brought forward	0	0	0	-17.200.532	-17.200.532
Allocated result for development expenditure	0	-344.893	0	0	-344.893
Currency adjustment	0	0	0	-211.356	-211.356
Share premium account	0	0	0	67.200	67.200
Transfered from development expenditure	0	0	0	344.893	344.893
Equity 1 January 2020	254.196	725.284	0	2.390.228	3.369.708
Profit or loss for the year brought forward	0	0	0	-13.534.887	-13.534.887
Allocated result for development expenditure	0	-256.713	0	0	-256.713
Exchange rate adjustments	0	0	1.034.194	0	1.034.194
Transfered from development expenditure	0	0	0	256.713	256.713
	254.196	**468.571**	**1.034.194**	**-10.887.946**	**-9.130.985**

Notes

All amounts in DKK.

1. Special items

Special items for the year are specified below, showing where these are recognised in the income profit and loss account. Amounts below are showed in tDKK

	Group 2020	Group 2019	Parent 2020	Parent 2019
Expenses:				
Inventory writedown	1.224.561	0	1.224.561	0
Investment systems	83.202	72	83.202	72
Repackaging costs	29.543	312	29.543	312
	1.337.306	384	1.337.306	384
Special items are recognised in the following items in the financial statements:				
Gross profit	-1.337.306	-384	-1.337.306	-384
Profit of special items, net	**-1.337.306**	**-384**	**-1.337.306**	**-384**

2. Staff costs

	Group 2020	Group 2019	Parent 2020	Parent 2019
Salaries and wages	12.251.806	11.980.908	11.647.159	11.382.706
Pension costs	697.928	597.702	697.928	597.702
Other costs for social security	134.302	134.302	142.200	134.302
	13.084.036	**12.712.912**	**12.487.287**	**12.114.710**
Average number of employees	20	21	19	20

Notes

All amounts in DKK.

3. Completed development projects, including patents and similar rights arising from development projects

Completed development projects

Completed development projects comprise the development of nutritional supplements based on a core of scientific research. The total product portfolio consists of 7 products of which all products are launched. The products are depreciated over a period of 5 years.

The completed development projects are essential for maintenance of the turnover.

The management has not identified indication of impairment in proportion to the book value.

4. Development projects in progress and prepayments for intangible assets

In-progress development projects comprise development of nutritional supplements based on a core of scientific research. Costs are in all material aspects comprising internal costs in the shape of wages and salaries registered in the enterprise´s bookkeeping.

The book value as of 31 December 2020 is tDKK 0. The development of the nutritional supplements has been completed and launched in 2020.

	Group		Parent	
	31/12 2020	31/12 2019	31/12 2020	31/12 2019
5. Convertible and profit sharing debt instruments				
Convertible and profit-sharing debt instruments	17.500	17.500	17.500	17.500
	17.500	**17.500**	**17.500**	**17.500**

Notes

All amounts in DKK.

	Group 31/12 2020	Group 31/12 2019	Parent 31/12 2020	Parent 31/12 2019
6. Payables to associates				
Total payables to associates	6.221.281	0	6.221.281	0
Share of amount due within 1 year	0	0	0	0
Total payables to associates	**6.221.281**	**0**	**6.221.281**	**0**
Share of liabilities due after 5 years	0	0	0	0
7. Other payables				
Total other payables	7.515.404	6.886.975	7.515.404	6.886.975
Share of amount due within 1 year	-916.715	-849.374	-916.715	-849.374
Total other payables	**6.598.689**	**6.037.601**	**6.598.689**	**6.037.601**
Share of liabilities due after 5 years	0	0	0	0

8. Charges and security

For bank loans, tDKK 6.577 and other debts tDKK 6.668, the company has provided security in company assets representing a nominal value of tDKK 7.500. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Intangible assets	1.173
Tangible assets	138
Inventories	6.953
Trade receivables	6.543

Notes

All amounts in DKK.

9. Contingencies

Contingent assets

The company has an unrecognized deferred tax asset of tDKK 8.842.

Contingent liabilities

The company has entered into lease agreements with a term of 65 months authorizing commitment of tDKK 3.900

Accounting policies

The annual report for Puori ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.
Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

The consolidated financial statements

The consolidated income statements comprise the parent company Puori ApS and those group enterprises of which Puori ApS directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Accounting policies

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Income statement

Gross profit
Gross profit comprises the revenue, changes in inventories of finished goods, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with deduction of any discounts granted in connection with the sale.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs
Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment
Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

Other operating costs
Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement of the parent as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 5 years.

Purchased rights

Purchased rights is measured at cost with deduction of accumulated amortisation. Purchased rights is amortised on a straight-line basis over the estimated financial life which is 5 years.

Accounting policies

Property, plant, and equipment

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

Investments

Equity in group enterprises

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Equity in group enterprises recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

Equity in group enterprises with a negative equity value measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

Accounting policies

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Accounting policies

Reserve for foreign currency translation

The reserve for foreign currency translation arises when translating accounting items in foreign currency.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

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