Puori ApS

Havnegade 41, København K

Company reg. no. 32 56 67 31

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 5 July 2022.

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 statement

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 2021.

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 2021, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 January – 31 December 2021.

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 at the Annual General Meeting.

havn K, 5 July 2022

Managing Director

Oliver Amdrup-Chamby

Board of directors

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

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 2021, which comprise income statement, statement of financial position, statement of changes in equity, notes and a summary of significant 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 2021 and of the results of the company's activities, consolidated and of the company, respectively, for the financial year 1 January - 31 December 2021 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

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.

- 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.

Independent auditor's report

- 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’s Review
Management is responsible for the Management’s Review.

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’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the Management’s Review 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’s Review.

Copenhagen, 5 July 2022

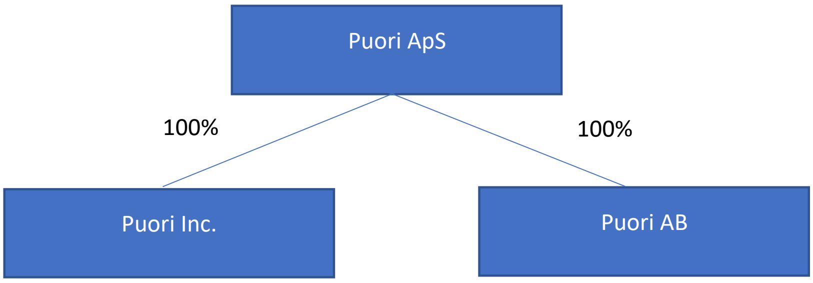
Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin
State Authorised Public Accountant
mne30140

Company information

The company	Puori ApS Havnegade 41 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 Mule Scott Struve, Chairman John David Shulman Alexander William Deegan Hans-Julius Heslet Oliver Amdrup-Chamby	
Managing Director	Oliver Amdrup-Chamby	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Subsidiaries	Puori Inc., California Puori AB, Malmø	

Group overview



Management´s review

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 & Puori AB, a registered company located in Malmø.

Development in activities and financial matters

The development in 2021 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 2022 still be negative but less than 2021 and turn positive in 2023, 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.

		Group		Parent	
Note		2021	2020	2021	2020
	Gross profit	**3.799.832**	**3.773.907**	**3.764.660**	**4.079.887**
2	Staff costs	-11.670.418	-13.084.036	-11.050.103	-12.487.287
	Depreciation, amortisation, and impairment	-736.043	-1.089.741	-736.043	-1.089.741
	Other operating costs	0	-787.303	0	-787.303
	Operating profit	**-8.606.629**	**-11.187.173**	**-8.021.486**	**-10.284.444**
	Income from equity investments in subsidiaries	0	0	-576.139	-915.309
	Other financial income	634.951	20.465	614.168	17.867
	Other financial costs	-1.904.451	-2.361.302	-1.897.720	-2.353.000
	Pre-tax net profit or loss	**-9.876.129**	**-13.528.010**	**-9.881.177**	**-13.534.886**
	Tax on net profit or loss for the year	-5.048	-6.876	0	0
	Net profit or loss for the year	**-9.881.177**	**-13.534.886**	**-9.881.177**	**-13.534.886**
	Proposed appropriation of net profit:				
	Allocated from retained earnings			-9.881.177	-13.534.886
	Total allocations and transfers			**-9.881.177**	**-13.534.886**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		Group 2021	Group 2020	Parent 2021	Parent 2020
	Non-current assets				
3	Completed development projects, including patents and similar rights arising from development projects	106.506	600.732	106.506	600.732
	Concessions, patents, licenses, trademarks, and similar rights acquired	422.996	572.288	422.996	572.288
	Total intangible assets	529.502	1.173.020	529.502	1.173.020
	Other fixtures and fittings, tools and equipment	508.676	137.800	508.676	137.800
	Total property, plant, and equipment	508.676	137.800	508.676	137.800
	Investments in subsidiaries	0	0	0	0
	Other receivables	381.292	381.292	381.292	381.292
	Total investments	381.292	381.292	381.292	381.292
	Total non-current assets	**1.419.470**	**1.692.112**	**1.419.470**	**1.692.112**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	Group 2021	Group 2020	Parent 2021	Parent 2020
	Current assets				
	Raw materials and consumables	1.129.348	1.704.637	1.129.348	1.704.637
	Manufactured goods and goods for resale	6.311.928	5.234.308	3.864.003	4.955.259
	Prepayments for goods	0	293.117	0	293.117
	Total inventories	7.441.276	7.232.062	4.993.351	6.953.013
	Trade receivables	5.044.676	7.073.204	4.086.913	6.543.025
	Receivables from group enterprises	0	0	3.225.323	1.616.357
	Deferred tax assets	959.438	885.797	0	0
	Other receivables	90.687	10.007	0	0
	Prepayments and accrued income	76.166	14.736	76.166	14.736
	Total receivables	6.170.967	7.983.744	7.388.402	8.174.118
	Cash on hand and demand deposits	1.694.624	6.342.435	871.141	5.119.975
	Total current assets	**15.306.867**	**21.558.241**	**13.252.894**	**20.247.106**
	Total assets	**16.726.337**	**23.250.353**	**14.672.364**	**21.939.218**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2021	Group 2020	Parent 2021	Parent 2020
	Equity				
	Contributed capital	254.196	254.196	254.196	254.196
	Reserve for development costs	0	0	83.075	468.571
	Reserve for foreign currency translation	139.732	1.034.194	139.732	1.034.194
	Retained earnings	-20.300.552	-10.419.375	-20.383.627	-10.887.946
	Total equity	**-19.906.624**	**-9.130.985**	**-19.906.624**	**-9.130.985**
	Long term labilities other than provisions				
	Convertible and profit sharing debt instruments	17.500	17.500	17.500	17.500
	Payables to equity interests	7.610.144	6.221.281	7.610.144	6.221.281
	Other payables	8.887.938	6.598.689	8.887.938	6.598.689
4	Total long term liabilities other than provisions	16.515.582	12.837.470	16.515.582	12.837.470
4	Current portion of long term liabilities	1.792.000	916.715	1.792.000	916.715
	Bank loans	5.551.009	6.584.351	5.551.009	6.577.161
	Trade payables	5.406.053	5.417.002	4.057.779	5.035.161
	Other payables	7.368.317	6.625.800	6.662.618	5.703.696
	Total short term liabilities other than provisions	20.117.379	19.543.868	18.063.406	18.232.733
	Total liabilities other than provisions	**36.632.961**	**32.381.338**	**34.578.988**	**31.070.203**
	Total equity and liabilities	**16.726.337**	**23.250.353**	**14.672.364**	**21.939.218**

1 Special items

5 Charges and security

6 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 2020	254.196	0	0	3.115.511	3.369.707
Profit or loss for the year brought forward	0	0	0	-13.534.886	-13.534.886
Exchange rate adjustments	0	0	1.034.194	0	1.034.194
Equity 1 2021	254.196	0	1.034.194	-10.419.375	-9.130.985
Profit or loss for the year brought forward	0	0	0	-9.881.177	-9.881.177
Exchange rate adjustments	0	0	-894.462	0	-894.462
	254.196	**0**	**139.732**	**-20.300.552**	**-19.906.624**

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 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	256.713	0
Exchange rate adjustments	0	0	1.034.194	0	1.034.194
Equity 1 January 2021	254.196	468.571	1.034.194	-10.887.946	-9.130.985
Profit or loss for the year brought forward	0	0	0	-9.881.177	-9.881.177
Allocated result for development expenditure	0	-385.496	0	385.496	0
Exchange rate adjustments	0	0	-894.462	0	-894.462
	254.196	**83.075**	**139.732**	**-20.383.627**	**-19.906.624**

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		Parent	
	2021	2020	2021	2020
Expenses:				
Inventory writedown	0	1.225	0	1.225
Investment systems	0	83	0	83
Repackaging costs	0	30	0	30
	0	1.338	0	1.338
Special items are recognised in the following items in the financial statements:				
Gross profit	0	-1.338	0	-1.338
Profit of special items, net	**0**	**-1.338**	**0**	**-1.338**

	Group		Parent	
	2021	2020	2021	2020
2. Staff costs				
Salaries and wages	10.840.485	12.251.806	10.240.163	11.647.159
Pension costs	695.631	697.928	695.631	697.928
Other costs for social security	134.302	134.302	114.309	142.200
	11.670.418	**13.084.036**	**11.050.103**	**12.487.287**
Average number of employees	17	20	16	19

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. Long term labilities other than provisions

Group and parent

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Convertible and profit sharing debt instruments	17.500	0	17.500	0
Payables to equity interests	7.610.144	0	7.610.144	0
Other payables	10.679.938	1.792.000	8.887.938	0
	18.307.582	**1.792.000**	**16.515.582**	**0**

5. Charges and security

For bank loans, tDKK 5.551 and other debts tDKK 9.447, the company has provided security in company assets representing a nominal value of tDKK 7.500 & tDKK 11.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Intangible assets	530
Tangible assets	509
Inventories	4.993
Trade receivables	4.036

Notes

All amounts in DKK.

6. Contingencies

Contingent assets

The company has an unrecognized deferred tax asset of tDKK 10.877.

Contingent liabilities

The company has entered into lease agreements with a term of 53 months authorizing commitment of tDKK 3.097

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.

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

Accounting policies

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.

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.

Accounting policies

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.

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 subsidiaries
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.

Accounting policies

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.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

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.

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:

Accounting policies

	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.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in subsidiaries are 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.

Investments in subsidiaries with a negative equity value are 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.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries 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 subsidiaries.

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.

Accounting policies

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value 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.

Accounting policies

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.

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 is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

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.

Accounting policies

Convertible and profit sharing debt instruments

Convertible bonds are issued at a fixed conversion price and is regarded as composite instruments comprising a financial liability measured at amortised cost and an equity instrument in the form of the integral conversion right. Fair value of the financial liability is determined on the date of issue by applying a market rate for a similar non-convertible debt instrument. The difference between the proceeds from issuing the convertible debt instrument and the fair value of the financial liability, corresponding to the integral option to convert the liability to shareholders' equity, is recognised directly in the shareholders' equity. The value of the financial liability is recognised as long-term debts and subsequently measured at amortised cost. When extending convertible bonds, a calculation is made at amortised cost relative to the extension. Any difference is recognised in the income statement.