

LIFE CARE HOLDING II ApS

Roskildevej 12 B, 1.
3400 Hillerød
Central Business Registration
No 32942466

Annual report 2019

The Annual General Meeting adopted the annual report on 03.03.2020

Chairman of the General Meeting

Name: Brian Friis

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2019	7
Consolidated balance sheet at 31.12.2019	8
Consolidated statement of changes in equity for 2019	10
Notes to consolidated financial statements	11
Parent income statement for 2019	14
Parent balance sheet at 31.12.2019	15
Parent statement of changes in equity for 2019	17
Notes to parent financial statements	18
Accounting policies	20

Entity details

Entity

LIFE CARE HOLDING II ApS

Roskildevej 12 B, 1.

3400 Hillerød

Central Business Registration No (CVR): 32942466

Registered in: Hillerød

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Brian Friis

Teddy Bønchel Iversen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of LIFE CARE HOLDING II ApS for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Hillerød, 03.03.2020

Executive Board

Brian Friis

Teddy Bønchel Iversen

Independent auditor's report

To the shareholders of LIFE CARE HOLDING II ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of LIFE CARE HOLDING II ApS for the financial year 01.01.2019 - 31.12.2019, 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. 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 31.12.2019, and of the results of their operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the 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.

Other matter

With effect for the current financial year, the company has chosen to present voluntary consolidated financial statements. We must emphasize that the comparative figures in the consolidated financial statements have not been included in our audit, as also shown in the financial statements.

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 Parent'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 Group or 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

Independent auditor's report

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 these 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 Parent'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 Parent'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 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.

Independent auditor's report

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.

Hillerød, 03.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Management commentary

Primary activities

LifeCare Holding II ApS, and its affiliated companies are working within the e-commerce segment in the steadily growing Health and supplement category.

Development in activities and finances

The 2019 performance followed the strategic initiatives and projects planned, and was in line with the expectations.

2019 was a year with focused strategic investments with:

- Further developing our e-commerce platform
- Product compliance and product cost optimization
- Shaping and scaling the organization for further growth

We expect to continue the strong double-digit turnover development in 2020, and will strengthen our momentum towards our 2025 goals, with the aim to further improve our footprint in Europe, driven by the effect of combining synergies from quality health and vitamin products, and a state-of-the-art e-commerce platform and supporting organization.

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 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Revenue		104.088.810	95.509.675
Cost of sales		(66.186.602)	(60.434.563)
Other external expenses		(20.034.495)	(14.192.439)
Gross profit/loss		17.867.713	20.882.673
Staff costs	1	(15.506.819)	(12.569.278)
Depreciation, amortisation and impairment losses	2	(840.034)	(278.451)
Operating profit/loss		1.520.860	8.034.944
Other financial income	3	491.928	1.834.533
Other financial expenses	4	(1.198.979)	(168.604)
Profit/loss before tax		813.809	9.700.873
Tax on profit/loss for the year		(234.069)	(2.259.069)
Profit/loss for the year		579.740	7.441.804
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		0	7.500.000
Retained earnings		579.740	(58.196)
		579.740	7.441.804

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired intangible assets		0	616.052
Intangible assets	5	0	616.052
Other fixtures and fittings, tools and equipment		49.429	163.538
Leasehold improvements		77.392	187.089
Property, plant and equipment	6	126.821	350.627
Deposits		282.381	281.794
Fixed asset investments		282.381	281.794
Fixed assets		409.202	1.248.473
Manufactured goods and goods for resale		10.441.169	9.258.279
Inventories		10.441.169	9.258.279
Trade receivables		1.575.442	2.811.094
Deferred tax		19.000	1.655
Other receivables		2.796.758	2.592.189
Income tax receivable		2.944.937	0
Prepayments		178.361	0
Receivables		7.514.498	5.404.938
Cash		2.000.163	8.727.480
Current assets		19.955.830	23.390.697
Assets		20.365.032	24.639.170

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		80.000	80.000
Retained earnings		617.681	24.521
Proposed dividend		0	7.500.000
Equity		697.681	7.604.521
Deferred tax		10.331	10.327
Provisions		10.331	10.327
Bank loans		338.351	59.704
Prepayments received from customers		667.380	0
Trade payables		5.699.661	10.042.573
Payables to group enterprises		1.277.730	2.150.889
Payables to associates		4.779.905	0
Income tax payable		0	469.531
Joint taxation contribution payable		1.463.413	701.271
Other payables	7	5.430.580	3.600.354
Current liabilities other than provisions		19.657.020	17.024.322
Liabilities other than provisions		19.657.020	17.024.322
Equity and liabilities		20.365.032	24.639.170
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Subsidiaries	10		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	80.000	24.521	7.500.000	7.604.521
Ordinary dividend paid	0	0	(7.500.000)	(7.500.000)
Other entries on equity	0	13.419	0	13.419
Profit/loss for the year	0	579.741	0	579.741
Equity end of year	80.000	617.681	0	697.681

Notes to consolidated financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	13.619.580	10.447.391
Pension costs	328.036	544.083
Other social security costs	1.182.574	1.332.504
Other staff costs	376.629	245.300
	15.506.819	12.569.278
Average number of employees	27	
	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	0	81.984
Impairment losses on intangible assets	616.250	0
Depreciation of property, plant and equipment	174.638	196.467
Profit/loss from sale of intangible assets and property, plant and equipment	49.146	0
	840.034	278.451
	2019 DKK	2018 DKK
3. Other financial income		
Other interest income	98.210	22.781
Exchange rate adjustments	393.718	1.811.752
	491.928	1.834.533
	2019 DKK	2018 DKK
4. Other financial expenses		
Financial expenses from group enterprises	31.164	0
Financial expenses from associates	116.578	0
Exchange rate adjustments	963.903	159.073
Other financial expenses	87.334	9.531
	1.198.979	168.604

Notes to consolidated financial statements

	Acquired intangible assets DKK	
5. Intangible assets		
Cost beginning of year		821.403
Exchange rate adjustments		264
Cost end of year		821.667
Amortisation and impairment losses beginning of year		(205.350)
Exchange rate adjustments		(67)
Impairment losses for the year		(616.250)
Amortisation and impairment losses end of year		(821.667)
Carrying amount end of year		0
	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
6. Property, plant and equipment		
Cost beginning of year	326.333	329.090
Exchange rate adjustments	4	0
Disposals	(131.514)	0
Cost end of year	194.823	329.090
Depreciation and impairment losses beginning of year	(162.793)	(142.001)
Exchange rate adjustments	(28)	0
Depreciation for the year	(64.941)	(109.697)
Reversal regarding disposals	82.368	0
Depreciation and impairment losses end of year	(145.394)	(251.698)
Carrying amount end of year	49.429	77.392
	2019 DKK	2018 DKK
7. Other short-term payables		
VAT and duties	3.330.485	2.699.481
Wages and salaries, personal income taxes, social security costs, etc payable	345.067	52.215
Holiday pay obligation	1.101.563	794.570
Other costs payable	653.465	54.088
	5.430.580	3.600.354

Notes to consolidated financial statements

	<u>2019</u> <u>DKK</u>	<u>2018</u> <u>DKK</u>
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>523.230</u>	<u>845.960</u>

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where G & B FRIIS HOLDING ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
10. Subsidiaries					
Life Care Europe ApS	Denmark	ApS	100,0	7.719.164	5.126.561
Life Care Deutschland GmbH	Germany	GmbH	100,0	402.714	54.838
Life Extension Europe B.V.	Netherlands	B.V.	100,0	(3.793.468)	(3.814.965)

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Other external expenses		(623.407)	(6.257)
Operating profit/loss		(623.407)	(6.257)
Income from investments in group enterprises		1.366.433	7.444.259
Other financial income	2	47.433	3.110
Other financial expenses	3	(210.026)	0
Profit/loss before tax		580.433	7.441.112
Tax on profit/loss for the year	4	(692)	692
Profit/loss for the year		579.741	7.441.804
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		1.282.082	0
Retained earnings		(702.341)	7.441.804
		579.741	7.441.804

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Goodwill		0	0
Intangible assets	5	<u>0</u>	<u>0</u>
Investments in group enterprises		4.328.409	7.874.847
Deferred tax		0	692
Fixed asset investments	6	<u>4.328.409</u>	<u>7.875.539</u>
Fixed assets		<u>4.328.409</u>	<u>7.875.539</u>
Receivables from group enterprises		1.944.752	486.833
Receivables		<u>1.944.752</u>	<u>486.833</u>
Cash		<u>60.415</u>	<u>10.570</u>
Current assets		<u>2.005.167</u>	<u>497.403</u>
Assets		<u>6.333.576</u>	<u>8.372.942</u>

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		80.000	80.000
Retained earnings		(664.401)	24.521
Proposed dividend		1.282.082	7.500.000
Equity		<u>697.681</u>	<u>7.604.521</u>
Trade payables		180.000	4.063
Payables to group enterprises		4.147.730	0
Payables to associates		1.105.881	764.358
Other payables		202.284	0
Current liabilities other than provisions		<u>5.635.895</u>	<u>768.421</u>
Liabilities other than provisions		<u>5.635.895</u>	<u>768.421</u>
Equity and liabilities		<u>6.333.576</u>	<u>8.372.942</u>
Staff costs	1		
Contingent liabilities	7		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	80.000	24.521	7.500.000	7.604.521
Ordinary dividend paid	0	0	(7.500.000)	(7.500.000)
Other entries on equity	0	13.419	0	13.419
Profit/loss for the year	0	(702.341)	1.282.082	579.741
Equity end of year	80.000	(664.401)	1.282.082	697.681

The company applies the simultaneity principle, which means that no dividend from Life Care Europe ApS is tied to the net revaluation reserve.

Notes to parent financial statements

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Average number of employees	<u>0</u>	
	<u>2019 DKK</u>	<u>2018 DKK</u>
2. Other financial income		
Financial income arising from group enterprises	47.433	0
Other interest income	0	3.110
	<u>47.433</u>	<u>3.110</u>
	<u>2019 DKK</u>	<u>2018 DKK</u>
3. Other financial expenses		
Financial expenses from group enterprises	101.164	0
Financial expenses from associates	26.968	0
Other financial expenses	81.894	0
	<u>210.026</u>	<u>0</u>
	<u>2019 DKK</u>	<u>2018 DKK</u>
4. Tax on profit/loss for the year		
Change in deferred tax	692	(692)
	<u>692</u>	<u>(692)</u>
		<u>Goodwill DKK</u>
5. Intangible assets		
Cost beginning of year		2.663.804
Cost end of year		<u>2.663.804</u>
Amortisation and impairment losses beginning of year		(2.663.804)
Amortisation and impairment losses end of year		<u>(2.663.804)</u>
Carrying amount end of year		<u>0</u>

Notes to parent financial statements

	Invest- ments in group enterprises DKK
6. Fixed asset investments	
Cost beginning of year	3.492.810
Cost end of year	3.492.810
Revaluations beginning of year	4.382.037
Exchange rate adjustments	13.419
Share of profit/loss for the year	1.366.433
Dividend	(4.926.290)
Revaluations end of year	835.599
Carrying amount end of year	4.328.409

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

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where G & B FRIIS HOLDING ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

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Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year except for minor adjustments made with no effect on profit/loss or equity as they are reclassifications.

The annual report is presented in Danish currency (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.

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

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

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

Accounting policies

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 internal profits or losses.

Other financial income

Other financial income comprises 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 as well as 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 as well as 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

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights related to Poland.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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	3 years
Leasehold improvements	3 years

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.

Accounting policies

Investments in group enterprises

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

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years.

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

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

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

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 or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

Income tax payable or receivable

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at

Accounting policies

cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions receivable or payable

Current joint taxation contributions receivable or joint taxation payable is recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.