



Sybo Holding ApS

Jorcks Passage 1, 4.
1162 København K
CVR No. 33773773

Annual report 2020

The Annual General Meeting adopted the
annual report on 18.06.2021

Mathias Gredal Nørvig

Chairman of the General Meeting

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Entity details

Entity

Sybo Holding ApS
Jorcks Passage 1, 4.
1162 København K

Business Registration No.: 33773773
Registered office: København
Financial year: 01.01.2020 - 31.12.2020

Executive Board

Bodie Daniel Jahn-Mulliner, CEO
Erik Sylvester Rishøj Jensen, Director
Mathias Gredal Nørvig, Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

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

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

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

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

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

Copenhagen, 18.06.2021

Executive Board

Bodie Daniel Jahn-Mulliner
CEO

Erik Sylvester Rishøj Jensen
Director

Mathias Gredal Nørvig
Director

Independent auditor's report

To the shareholders of Sybo Holding ApS

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 18.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne32127

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016/17 DKK'000
Key figures					
Gross profit	110,783	78,578	61,506	46,056	143,859
Operating profit/loss	7,178	(12,583)	(18,146)	1,779	106,855
Net financials	(706)	23,022	(8,864)	1,557	20,593
Profit/loss for the year	4,195	8,131	(25,455)	2,631	99,318
Balance sheet total	479,893	427,700	418,821	436,683	434,550
Investments in property, plant and equipment	317	122	0	60,781	120
Equity	313,624	309,430	321,799	347,920	365,290
Average number of employees	94	92	80	60	47
Ratios					
Return on equity (%)	1,3	2,6	(7,6)	0,7	30,5
Equity ratio (%)	65,3	72,3	76,8	79,7	84,1

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

Return on equity (%):

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

Average equity excl. minority interests

Equity ratio (%):

$\frac{\text{Equity}}{\text{total assets}} * 100$

total assets

Primary activities

The company's primary activities comprise of development of mobile games in proprietary universes and expand them to animation and licensing.

Development in activities and finances

2020 was a pivotal year, where SYBO became the worldwide mobile publisher of Subway Surfers, with full autonomy to further develop and lift the game and its performance. Together with an overall increase in digital entertainment consumption resulting from the pandemic, this meant that SYBO increased topline from Subway Surfers by 17% compared to 2019 and exceeded budgeted figures.

Through the year, SYBO continued to support "Playing 4 the Planet", an alliance of gaming-companies who made voluntary and ambitious commitments for people and the planet. Currently, SYBO's attention is headed towards global challenges such as limiting the carbon footprint, where SYBO is currently offsetting more than 200 tonnage of CO2 and continuing an impact investment philosophy.

Throughout the year, Subway Surfers still attracts more than 1 million daily new installs and has now reached a stunning 3 billion downloads. Globally around 100 million people play Subway Surfers on a monthly basis. Still going strong after 9 years with a mobile title, means that Subway Surfers is a true mobile evergreen that continues to show great potential.

We work hard to attract the best talents on a global scale, and in 2020 the number of employees increased to more than 100 people representing more than 20 countries.

SYBO's financial investments are based on a strong impact portfolio, sustainability, and active risk management. The company's overall performance for the year is satisfactory and in line with plans and expectations.

Outlook

SYBO will continuously focus on and invest in innovation and growth, and in 2021 we expect the financial performance to reach the same level as 2020. At the same time, we keep pursuing exciting and innovative opportunities and will keep recruiting and retaining best in class talent carrying our shared SYBO values.

Events after the balance sheet date

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

Consolidated income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		110,782,867	78,578,107
Staff costs	1	(82,613,446)	(70,369,429)
Depreciation, amortisation and impairment losses	2	(20,991,116)	(20,791,331)
Operating profit/loss		7,178,305	(12,582,653)
Income from investments in associates		(186,427)	(46,729)
Income from other fixed asset investments		400,591	227,075
Other financial income		16,235,327	32,049,914
Impairment of financial assets		(2,000,000)	(5,435,180)
Other financial expenses		(15,155,759)	(3,772,752)
Profit/loss before tax		6,472,037	10,439,675
Tax on profit/loss for the year	3	(2,277,239)	(2,308,753)
Profit/loss for the year	4	4,194,798	8,130,922

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		19,184,565	39,062,117
Intangible assets	5	19,184,565	39,062,117
Investment property		57,994,473	58,963,088
Other fixtures and fittings, tools and equipment		339,371	113,305
Property, plant and equipment	6	58,333,844	59,076,393
Investments in associates		4,730,011	4,916,438
Other investments		25,051,137	25,078,195
Deferred tax	8	3,282,237	1,475,043
Financial assets	7	33,063,385	31,469,676
Fixed assets		110,581,794	129,608,186
Trade receivables		37,876,056	29,165,697
Receivables from associates		65,462	0
Other receivables		4,172,169	1,723,138
Prepayments	9	1,801,106	1,136,873
Receivables		43,914,793	32,025,708
Other investments		238,708,880	222,585,095
Investments		238,708,880	222,585,095
Cash		86,687,085	43,480,700
Current assets		369,310,758	298,091,503
Assets		479,892,552	427,699,689

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		80,000	80,000
Retained earnings		315,250,139	310,284,821
Equity belonging to Parent's shareholders		315,330,139	310,364,821
Equity belonging to minority interests		(1,705,803)	(935,283)
Equity		313,624,336	309,429,538
Mortgage debt		30,079,264	30,624,541
Other payables		5,520,336	1,807,627
Non-current liabilities other than provisions	10	35,599,600	32,432,168
Current portion of non-current liabilities other than provisions	10	549,057	548,714
Bank loans		3,865,400	0
Deposits		1,159,078	951,584
Trade payables		18,602,006	5,411,109
Payables to owners and management		20,383,371	19,609,727
Tax payable		3,250,034	4,574,950
Other payables		69,180,746	50,017,841
Deferred income	11	13,678,924	4,724,058
Current liabilities other than provisions		130,668,616	85,837,983
Liabilities other than provisions		166,268,216	118,270,151
Equity and liabilities		479,892,552	427,699,689
Unrecognised rental and lease commitments	13		
Assets charged and collateral	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	80,000	310,284,821	310,364,821	(935,283)	309,429,538
Profit/loss for the year	0	4,965,318	4,965,318	(770,520)	4,194,798
Equity end of year	80,000	315,250,139	315,330,139	(1,705,803)	313,624,336

Consolidated cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		7,178,305	(12,582,653)
Amortisation, depreciation and impairment losses		22,991,116	23,791,331
Working capital changes	12	34,495,600	21,671,719
Cash flow from ordinary operating activities		64,665,021	32,880,397
Financial income received		5,500,027	10,788,165
Financial expenses paid		(15,145,759)	(9,207,932)
Taxes refunded/(paid)		(2,843,696)	7,923,103
Cash flows from operating activities		52,175,593	42,383,733
Acquisition etc. of intangible assets		0	(1,306,616)
Acquisition etc. of property, plant and equipment		(317,015)	(122,013)
Acquisition of fixed asset investments		(3,808,980)	(1,051,906)
Acquisitions of other investments		(16,123,785)	(15,451,095)
Divestment of other investments		10,735,300	17,239,677
Cash flows from investing activities		(9,514,480)	(691,953)
Free cash flows generated from operations and investments before financing		42,661,113	41,691,780
Repayments of loans etc.		545,272	(544,592)
Dividend paid		0	(20,500,000)
Cash flows from financing activities		545,272	(21,044,592)
Increase/decrease in cash and cash equivalents		43,206,385	20,647,188
Cash and cash equivalents beginning of year		43,480,700	22,833,512
Cash and cash equivalents end of year		86,687,085	43,480,700
Cash and cash equivalents at year-end are composed of:			
Cash		86,687,085	43,480,700
Cash and cash equivalents end of year		86,687,085	43,480,700

Notes to consolidated financial statements

1 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	74,809,597	63,375,018
Pension costs	5,089,483	3,979,110
Other social security costs	215,340	210,293
Other staff costs	2,499,026	2,805,008
	82,613,446	70,369,429
Number of employees at balance sheet date	95	92

	Remuneration of manage- ment 2020 DKK	Remuneration of manage- ment 2019 DKK
Executive Board	7,412,619	6,608,611
	7,412,619	6,608,611

2 Depreciation, amortisation and impairment losses

	2020	2019
	DKK	DKK
Amortisation of intangible assets	19,877,552	19,814,008
Depreciation on property, plant and equipment	1,113,564	977,323
	20,991,116	20,791,331

3 Tax on profit/loss for the year

	2020	2019
	DKK	DKK
Current tax	4,084,433	2,998,598
Change in deferred tax	(1,807,194)	(830,683)
Adjustment concerning previous years	0	140,838
	2,277,239	2,308,753

4 Proposed distribution of profit/loss

	2020	2019
	DKK	DKK
Extraordinary dividend distributed in the financial year	0	20,500,000
Retained earnings	4,965,318	(11,642,876)
Minority interests' share of profit/loss	(770,520)	(726,202)
	4,194,798	8,130,922

5 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	100,040,912
Cost end of year	100,040,912
Amortisation and impairment losses beginning of year	(60,978,795)
Amortisation for the year	(19,877,552)
Amortisation and impairment losses end of year	(80,856,347)
Carrying amount end of year	19,184,565

6 Property, plant and equipment

	Investment property DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	60,900,318	185,850
Additions	0	371,015
Cost end of year	60,900,318	556,865
Depreciation and impairment losses beginning of year	(1,937,230)	(72,545)
Depreciation for the year	(968,615)	(144,949)
Depreciation and impairment losses end of year	(2,905,845)	(217,494)
Carrying amount end of year	57,994,473	339,371

7 Financial assets

	Investments in associates DKK	Other investments DKK	Deferred tax DKK
Cost beginning of year	4,916,438	25,078,194	1,475,043
Exchange rate adjustments	0	(1,836,038)	0
Additions	0	3,808,981	1,807,194
Cost end of year	4,916,438	27,051,137	3,282,237
Amortisation of goodwill	(357,645)	0	0
Share of profit/loss for the year	171,218	0	0
Revaluations end of year	(186,427)	0	0
Impairment losses for the year	0	(2,000,000)	0
Impairment losses end of year	0	(2,000,000)	0
Carrying amount end of year	4,730,011	25,051,137	3,282,237

8 Deferred tax

	2020 DKK	2019 DKK
Changes during the year		
Beginning of year	1,475,043	644,360
Recognised in the income statement	1,807,194	830,683
End of year	3,282,237	1,475,043

Deferred tax assets is tax losses recognized due to its expected use in the group.

9 Prepayments

Prepayments consist of office rent, consulting services, subscriptions and other prepayments.

10 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK
Mortgage debt	549,057	548,714	30,079,264
Other payables	0	0	5,520,336
	549,057	548,714	35,599,600

11 Deferred income

Deferred income consists of contract accrual.

12 Changes in working capital

	2020	2019
	DKK	DKK
Increase/decrease in receivables	(11,889,085)	4,407,979
Increase/decrease in trade payables etc.	49,868,258	17,217,018
Other changes	(3,483,573)	46,722
	34,495,600	21,671,719

13 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	1,312,799	1,828,978

14 Assets charged and collateral

SYBO ApS has entered into a guarantee amounting to USD 7.000 thousand for outstandings with a business partner.

As security for all balances with Danske Bank, the group has granted a charge on a portfolio of securities corresponding to DKK 3.978 thousand.

For SYBO ApS, SYBO Holding ApS has agreed upon a joint and several surety bond on the amount of DKK 42.367 thousand.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 32.400 thousand nominal. The carrying amount of mortgaged properties is DKK 57.994 thousand.

15 Subsidiaries

	Registered in	Corporate form	Ownership %
SYBO ApS	Copenhagen	ApS	100
SYBO 3 IVS	Copenhagen	IVS	100
Ejendomsselskabet Bagsværdlund ApS	Copenhagen	ApS	100
SYBO PeopleCo A/S	Copenhagen	A/S	85

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		(582,115)	(729,921)
Staff costs	1	(442,507)	(467,021)
Operating profit/loss		(1,024,622)	(1,196,942)
Income from investments in group enterprises		(4,613,186)	2,277,613
Income from other fixed asset investments		400,591	227,075
Other financial income from group enterprises		1,239,030	1,465,353
Other financial income	2	12,774,125	11,319,879
Impairment of financial assets		0	(1,100,000)
Other financial expenses	3	(1,108,991)	(1,692,148)
Profit/loss before tax		7,666,947	11,300,830
Tax on profit/loss for the year	4	(2,701,629)	(2,443,706)
Profit/loss for the year	5	4,965,318	8,857,124

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Investments in group enterprises		99,920,869	104,221,846
Receivables from group enterprises		23,397,765	26,100,246
Financial assets	6	123,318,634	130,322,092
Fixed assets		123,318,634	130,322,092
Receivables from group enterprises		991,028	459,420
Other receivables		81,168	79,652
Joint taxation contribution receivable		1,382,781	0
Receivables		2,454,977	539,072
Other investments		238,708,880	222,585,095
Investments		238,708,880	222,585,095
Cash		0	3,603,453
Current assets		241,163,857	226,727,620
Assets		364,482,491	357,049,712

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		80,000	80,000
Reserve for net revaluation according to the equity method		99,373,866	99,547,927
Retained earnings		115,876,288	210,736,909
Proposed dividend for the financial year		100,000,000	0
Equity		315,330,154	310,364,836
Bank loans		3,865,400	0
Trade payables		116,529	151,819
Payables to group enterprises		9,122,991	8,942,493
Payables to associates		20,383,371	19,609,727
Tax payable		5,557,199	4,269,309
Other payables		78,603	36,650
Deferred income	7	10,028,244	13,674,878
Current liabilities other than provisions		49,152,337	46,684,876
Liabilities other than provisions		49,152,337	46,684,876
Equity and liabilities		364,482,491	357,049,712
Contingent liabilities	8		
Related parties with controlling interest	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2020

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend for the year DKK	Total DKK
Equity beginning of year	80,000	99,547,927	210,736,909	0	310,364,836
Profit/loss for the year	0	(174,061)	(94,860,621)	100,000,000	4,965,318
Equity end of year	80,000	99,373,866	115,876,288	100,000,000	315,330,154

Notes to parent financial statements

1 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	412,555	425,833
Pension costs	30,699	37,780
Other social security costs	2,556	3,408
Other staff costs	(3,303)	0
	442,507	467,021
Average number of full-time employees	1	1

2 Other financial income

	2020 DKK	2019 DKK
Other interest income	2,038,825	2,516,563
Exchange rate adjustments	10,735,300	8,803,316
	12,774,125	11,319,879

3 Other financial expenses

	2020 DKK	2019 DKK
Financial expenses from group enterprises	180,498	189,927
Other interest expenses	928,493	1,502,221
	1,108,991	1,692,148

4 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	2,701,629	2,333,190
Adjustment concerning previous years	0	110,516
	2,701,629	2,443,706

5 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Ordinary dividend for the financial year	100,000,000	0
Retained earnings	(95,034,682)	8,857,124
	4,965,318	8,857,124

6 Financial assets

	Investments in group enterprises DKK	Receivables from group enterprises DKK
Cost beginning of year	547,002	31,400,180
Additions	0	1,238,799
Cost end of year	547,002	32,638,979
Revaluations beginning of year	103,674,844	0
Share of profit/loss for the year	(8,259,820)	0
Investments with negative equity value depreciated over receivables	3,941,281	0
Investments with negative equity value transferred to provisions	17,562	0
Revaluations end of year	99,373,867	0
Impairment losses beginning of year	0	(5,299,933)
Investments with negative equity value depreciated over receivables	0	(3,941,281)
Impairment losses end of year	0	(9,241,214)
Carrying amount end of year	99,920,869	23,397,765

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

7 Deferred income

Deferred income consists of profits from sale of shares within the Group.

8 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

9 Related parties with controlling interest

The shareholders of the company consists of:

- * B. Jahn-Mulliner Holding ApS (controls 50% of the shares)
- * S. Rishøj Holding ApS (controls 50% of the shares)

10 Transactions with related parties

All transactions with related parties is made on arms length basis.

Accounting policies

Reporting class

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

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

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

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

Basis of consolidation

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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 property, 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 intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

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

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc on fixed asset investments which are not investments in group enterprises or associates.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income

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

Impairment of financial assets

Impairment of financial assets comprise impairment of financial assets which are not measured at fair value on a current basis.

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.

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	3-5 years
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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.

Investment property

Investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

Investment property	25 years
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Estimated useful lives and residual values are reassessed annually.

Items of investment property are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

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

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these associates 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 associate, 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.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share 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 amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful

lives are reassessed annually. The amortisation periods used are 10 years.

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

Receivables

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

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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.

Prepayments

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

Other investments (current assets)

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

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.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

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

Tax payable or receivable

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

Deferred income

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

Cash flow statement

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

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

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

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

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