

SYBO HOLDING ApS

Jorcks Passage 1 A, 4.
1162 Copenhagen K
Central Business Registration
No 33773773

Annual report 2019

The Annual General Meeting adopted the annual report on 09.09.2020

Chairman of the General Meeting

Name: Mathias Gredal Nørvig

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Entity details

Entity

SYBO HOLDING ApS
Jorcks Passage 1 A, 4.
1162 Copenhagen K

Central Business Registration No (CVR): 33773773
Registered in: Copenhagen
Financial year: 01.01.2019 - 31.12.2019

Executive Board

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

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 01.01.2019 - 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 and cash flows 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.

Copenhagen, 09.09.2020

Executive Board

Bodie Daniel Jahn-Mulliner

Mathias Gredal Nørvig

Erik Sylvester Rishøj Jensen

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 01.01.2019 - 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, 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 31.12.2019, and of the results of their operations and the consolidated cash flows 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.

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 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

Independent auditor's report

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.

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.

Independent auditor's report

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, 09.09.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016/17 DKK'000	2015/16 DKK'000
Financial highlights					
Key figures					
Gross profit	78.578	61.506	46.056	143.859	162.365
Operating profit/loss	(12.583)	(18.146)	1.779	106.855	135.166
Net financials	23.022	(8.864)	1.557	20.593	(11.294)
Profit/loss for the year	8.131	(25.455)	2.631	99.318	96.592
Total assets	427.700	418.821	436.683	434.550	379.131
Investments in property, plant and equipment	122	-	60.781	120	-
Equity	309.430	321.799	347.920	365.290	285.972
Average numbers of employees	92	80	60	47	40

Ratios

Return on equity (%)	2,6	(7,6)	0,7	30,5	34,8
Equity ratio (%)	72,3	76,8	79,7	84,1	75,4

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

Ratios

Calculation formula

Calculation formula reflects

Return on equity (%)

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

The entity's return on capital invested in the entity by the owners.

Equity ratio (%)

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activities comprise development of proprietary universes for smartphones, animation and merchandise.

Development in activities and finances

2019 was a great year with further development of SYBO's main IP, SUBWAY SURFERS and expanding the global appeal of SYBO through merchandise and licensing deals mainly in the US and UK. With extended focus and efforts on monetization, SYBO overperformed budgeted numbers and continues to be the King of Runners.

Throughout the year, Subway Surfers reached a stunning 2.7 billion downloads. Revenue increased compared to 2018 despite an intensified competitive market due to monetization initiatives. SUBWAY SURFERS had around 100 mio. active users entertained every month.

During 2019, SYBO spun out the MarkAR application and brought in the Chinese company, iDreamSky, as co-investors. MarkAR is a truly mobile-native AR experience with utilization opportunities on a global scale to both B2C and B2B.

We constantly work hard to attract the best talents on a global scale, and in 2019 the number of employees increased to more than 90 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 innovation and growth, and in 2020 we expect the financial performance to reach the same level as 2019, with SYBO becoming publisher during 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 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross profit		78.578.107	61.505.821
Staff costs	1	(70.369.429)	(58.936.242)
Depreciation, amortisation and impairment losses	2	(20.791.331)	(20.715.474)
Operating profit/loss		(12.582.653)	(18.145.895)
Income from investments in associates		(46.729)	0
Income from other fixed asset investments		227.075	0
Other financial income		32.049.914	8.002.093
Impairment losses on financial assets		(5.435.180)	(250.000)
Other financial expenses		(3.772.752)	(16.616.299)
Profit/loss before tax		10.439.675	(27.010.101)
Tax on profit/loss for the year	3	(2.308.753)	1.554.804
Profit/loss for the year	4	8.130.922	(25.455.297)

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Acquired intangible assets		39.062.117	57.569.509
Intangible assets	5	39.062.117	57.569.509
Investment property		58.963.088	59.931.703
Other fixtures and fittings, tools and equipment		113.305	0
Property, plant and equipment	6	59.076.393	59.931.703
Investments in associates		4.916.438	4.963.160
Other investments		25.078.195	26.463.313
Deferred tax	8	1.475.043	644.360
Fixed asset investments	7	31.469.676	32.070.833
Fixed assets		129.608.186	149.572.045
Trade receivables		29.165.697	33.101.411
Receivables from associates		0	26.292
Other receivables		1.723.138	2.780.493
Income tax receivable		0	6.487.589
Prepayments		1.136.873	525.491
Receivables		32.025.708	42.921.276
Other investments		222.585.095	203.494.573
Other investments		222.585.095	203.494.573
Cash		43.480.700	22.833.512
Current assets		298.091.503	269.249.361
Assets		427.699.689	418.821.406

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		310.284.821	321.927.712
Equity attributable to the Parent's owners		310.364.821	322.007.712
Share of equity attributable to minority interests		(935.283)	(209.081)
Equity		309.429.538	321.798.631
Mortgage debt		30.624.541	31.169.475
Other payables	9	1.807.627	0
Non-current liabilities other than provisions	10	32.432.168	31.169.475
Current portion of long-term liabilities other than provisions	10	548.714	548.372
Deposits		951.584	1.100.899
Trade payables		5.411.109	2.757.851
Payables to associates		0	611.619
Payables to shareholders and management		19.609.727	0
Income tax payable		4.574.950	0
Other payables		50.017.841	56.110.372
Deferred income		4.724.058	4.724.187
Current liabilities other than provisions		85.837.983	65.853.300
Liabilities other than provisions		118.270.151	97.022.775
Equity and liabilities		427.699.689	418.821.406
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	80.000	321.927.712	0
Extraordinary dividend paid	0	0	(20.500.000)
Other entries on equity	0	(15)	0
Profit/loss for the year	0	(11.642.876)	20.500.000
Equity end of year	80.000	310.284.821	0
		Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year		(209.081)	321.798.631
Extraordinary dividend paid		0	(20.500.000)
Other entries on equity		0	(15)
Profit/loss for the year		(726.202)	8.130.922
Equity end of year		(935.283)	309.429.538

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Operating profit/loss		(12.582.653)	(18.145.895)
Amortisation, depreciation and impairment losses		23.791.331	20.715.474
Working capital changes	11	21.671.719	14.300.563
Cash flow from ordinary operating activities		32.880.397	16.870.142
Financial income received		10.788.165	4.890.497
Financial expenses paid		(9.207.932)	236.916
Income taxes refunded/(paid)		7.923.103	(8.019.911)
Other cash flows from operating activities		0	3.799
Cash flows from operating activities		42.383.733	13.981.443
Acquisition etc of intangible assets		(1.306.616)	0
Acquisition etc of property, plant and equipment		(122.013)	0
Acquisition of fixed asset investments		(1.051.906)	(10.165.087)
Acquisition of enterprises		0	(4.963.160)
Acquisition of other investments		(15.451.095)	(42.064.631)
Divestment of other investments		17.239.677	56.809.581
Cash flows from investing activities		(691.953)	(383.297)
Repayments of loans etc		(544.592)	(572.533)
Dividend paid		(20.500.000)	(560.000)
Cash flows from financing activities		(21.044.592)	(1.132.533)
Increase/decrease in cash and cash equivalents		20.647.188	12.465.613
Cash and cash equivalents beginning of year		22.833.512	10.367.899
Cash and cash equivalents end of year		43.480.700	22.833.512

Notes to consolidated financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	63.375.018	53.149.181
Pension costs	3.979.110	2.671.360
Other social security costs	210.293	181.640
Other staff costs	2.805.008	2.934.061
	70.369.429	58.936.242
Average number of employees	92	80
	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK
Executive Board	6.608.611	6.007.746
	6.608.611	6.007.746
	2019 DKK	2018 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	19.814.008	19.746.859
Depreciation of property, plant and equipment	977.323	968.615
	20.791.331	20.715.474
	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	2.998.598	0
Change in deferred tax	(830.683)	(1.554.804)
Adjustment concerning previous years	140.838	0
	2.308.753	(1.554.804)
	2019 DKK	2018 DKK
4. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	20.500.000	0
Retained earnings	(11.642.876)	(25.246.216)
Minority interests' share of profit/loss	(726.202)	(209.081)
	8.130.922	(25.455.297)

Notes to consolidated financial statements

	Investments in associates DKK	Other investments DKK	Deferred tax DKK
7. Fixed asset investments			
Cost beginning of year	4.963.160	26.463.313	644.360
Exchange rate adjustments	0	562.976	0
Additions	7	1.051.906	830.683
Cost end of year	4.963.167	28.078.195	1.475.043
Amortisation of goodwill	(357.645)	0	0
Share of profit/loss for the year	310.916	0	0
Revaluations end of year	(46.729)	0	0
Impairment losses for the year	0	(3.000.000)	0
Impairment losses end of year	0	(3.000.000)	0
Carrying amount end of year	4.916.438	25.078.195	1.475.043

8. Deferred tax

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

	2019 DKK	2018 DKK
9. Other long-term payables		
Holiday pay obligation	1.807.627	0
	1.807.627	0

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years DKK
10. Liabilities other than provisions				
Mortgage debt	548.714	548.372	30.624.541	28.551.528
Other payables	0	0	1.807.627	1.807.627
	548.714	548.372	32.432.168	30.359.155

11. Change in working capital

	2019 DKK	2018 DKK
Increase/decrease in receivables	4.407.979	3.371.106
Increase/decrease in trade payables etc	17.217.018	10.929.457
Other changes	46.722	0
	21.671.719	14.300.563

Notes to consolidated financial statements

	<u>2019</u> <u>DKK</u>	<u>2018</u> <u>DKK</u>
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	1.828.978	1.756.000

13. Contingent liabilities

At the balance sheet date, SYBO ApS is engaged in a trial against the Company. Due to material uncertainty, the Management has not been able to assess the outcome of the pending trial.

14. Assets charged and collateral

SYBO ApS has entered into a guarantee amounting to USD 10.000 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 2.847 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 59.932 thousand.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
15. Subsidiaries			
SYBO ApS	Copenhagen	ApS	100,0
SYBO 3 IVS	Copenhagen	IVS	100,0
Ejendomsselskabet Bagsværdlund ApS	Copenhagen	ApS	100,0
SYBO PeopleCo A/S	Copenhagen	A/S	85,0

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Gross loss		(729.921)	(181.919)
Staff costs	1	(467.021)	(225.105)
Operating profit/loss		(1.196.942)	(407.024)
Income from investments in group enterprises		2.277.613	(25.299.078)
Income from other fixed asset investments		227.075	0
Other financial income from group enterprises		1.465.353	482.192
Other financial income	2	11.319.879	0
Impairment losses on financial assets		(1.100.000)	0
Other financial expenses		(1.692.148)	(143.399)
Profit/loss before tax		11.300.830	(25.367.309)
Tax on profit/loss for the year	3	(2.443.706)	121.093
Profit/loss for the year	4	8.857.124	(25.246.216)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Investments in group enterprises		104.221.845	290.283.071
Receivables from group enterprises		26.100.247	49.297.405
Fixed asset investments	5	130.322.092	339.580.476
Fixed assets		130.322.092	339.580.476
Receivables from group enterprises		459.420	0
Other receivables		79.652	75.900
Income tax receivable		0	6.398.095
Receivables		539.072	6.473.995
Other investments		222.585.095	0
Other investments		222.585.095	0
Cash		3.603.453	503.537
Current assets		226.727.620	6.977.532
Assets		357.049.712	346.558.008

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK</u>
Contributed capital		80.000	80.000
Reserve for net revaluation according to the equity method		99.547.927	289.656.071
Retained earnings		210.736.909	32.271.641
Equity		<u>310.364.836</u>	<u>322.007.712</u>
Trade payables		151.819	38.000
Payables to group enterprises		8.942.493	6.567.869
Payables to associates		19.609.727	611.619
Income tax payable		4.269.309	0
Other payables		36.650	11.296
Deferred income	6	13.674.878	17.321.512
Current liabilities other than provisions		<u>46.684.876</u>	<u>24.550.296</u>
Liabilities other than provisions		<u>46.684.876</u>	<u>24.550.296</u>
Equity and liabilities		<u>357.049.712</u>	<u>346.558.008</u>
Contingent liabilities	7		
Related parties with controlling interest	8		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	80.000	321.414.900	(303.748)
Corrections of material errors	<u>0</u>	<u>(31.758.829)</u>	<u>32.575.389</u>
Adjusted equity, beginning of year	80.000	289.656.071	32.271.641
Extraordinary dividend paid	0	0	0
Other entries on equity	0	(3.780.078)	3.780.078
Dividends from group enterprises	0	(184.926.287)	184.926.287
Profit/loss for the year	<u>0</u>	<u>(1.401.779)</u>	<u>(10.241.097)</u>
Equity end of year	<u>80.000</u>	<u>99.547.927</u>	<u>210.736.909</u>
		Proposed extraordinary dividend DKK	Total DKK
		<u> </u>	<u> </u>
Equity beginning of year		0	321.191.152
Corrections of material errors		<u>0</u>	<u>816.560</u>
Adjusted equity, beginning of year		0	322.007.712
Extraordinary dividend paid		(20.500.000)	(20.500.000)
Other entries on equity		0	0
Dividends from group enterprises		0	0
Profit/loss for the year		<u>20.500.000</u>	<u>8.857.124</u>
Equity end of year		<u>0</u>	<u>310.364.836</u>

Notes to parent financial statements

	2019 DKK	2018 DKK
1. Staff costs		
Wages and salaries	425.833	205.401
Pension costs	37.780	18.000
Other social security costs	3.408	1.704
	467.021	225.105
Average number of employees	1	1
	2019 DKK	2018 DKK
2. Other financial income		
Other interest income	2.516.563	0
Exchange rate adjustments	8.803.316	0
	11.319.879	0
	2019 DKK	2018 DKK
3. Tax on profit/loss for the year		
Current tax	2.333.190	(121.093)
Adjustment concerning previous years	110.516	0
	2.443.706	(121.093)
	2019 DKK	2018 DKK
4. Proposed distribution of profit/loss		
Retained earnings	8.857.124	(25.246.216)
	8.857.124	(25.246.216)

Notes to parent financial statements

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK
5. Fixed asset investments		
Cost beginning of year	627.000	50.482.192
Additions	1	1.465.353
Disposals	(80.000)	(20.547.365)
Cost end of year	547.001	31.400.180
Revaluations beginning of year	289.656.071	0
Share of profit/loss for the year	(1.401.779)	0
Dividend	(184.926.287)	0
Investments with negative equity value depreciated over receivables	4.115.146	0
Investments with negative equity value transferred to provisions	11.771	0
Reversal regarding disposals	(3.780.078)	0
Revaluations end of year	103.674.844	0
Impairment losses beginning of year	0	(1.184.787)
Investments with negative equity value depreciated over receivables	0	(4.115.146)
Impairment losses end of year	0	(5.299.933)
Carrying amount end of year	104.221.845	26.100.247

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

6. Deferred income

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

7. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

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8. 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)

Accounting policies

Reporting class

This annual report has been presented 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 with the exception of investment property are measured at cost less accumulated depreciation and impairment losses. The basis for the change in accounting policies is that additional utility value associated with the measurement at fair value does not match with the effort. The change in accounting policies does effect income statement nor the balance sheet in the annual report.

Material errors in previous years

A sale of shares was not recognised in the profit and loss as well as the balance sheet last year. The impact of the stated error is recognised in income from investments in group enterprises, receivables from group companies, other financial income from group enterprises and equity of the comparative year. The comparative figures for 2018 have been adjusted accordingly. The adjustment gives rise to equity being positively affected by 817 thousand at 1 January 2019 and profit/loss is affected positively by 817 thousand.

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.

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.

Accounting policies

Fair value adjustments of investment property

Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

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

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 losses on financial assets

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

Accounting policies

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.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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 year
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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 properties 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

Accounting policies

the asset until the time when it is ready to be put into operation.

Investment property

25-30 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.

Investments in group enterprises

In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on 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 under equity.

Investments in associates

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

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.

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.

Receivables

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

Accounting policies

Prepayments

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

Other investments

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.

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.

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.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated 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 as well as cash and cash equivalents at the beginning and the end of the financial year.

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

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

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, and payment of dividend.

Cash and cash equivalents comprise cash.