

# **Amarla Retail ApS**

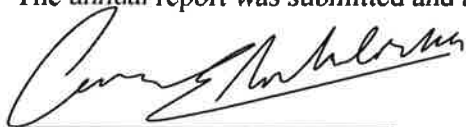
**Arne Jacobsens Allé 12, 2300 København S**

**Company reg. no. 34 59 34 69**

## **Annual report**

**1 January - 31 December 2020**

The annual report was submitted and approved by the general meeting on the 13 August 2021.



**Carlos Radulovitch.**  
Chairman of the meeting

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Notes:

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

## **Management's report**

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The executive board has today presented the annual report of Amarla Retail ApS for the financial year 1 January to 31 December 2020.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2020 and of the company's results of its activities in the financial year 1 January to 31 December 2020.

We are of the opinion that the management's review includes a fair description of the issues dealt with.


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

Copenhagen, 13 August 2021

**Executive board**



Carlos Alejandro Radulovitch



Luis A. M. Fenzini Granier

## **Independent auditor's report on extended review**

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### **To the shareholders of Amarla Retail ApS**

#### **Opinion**

We have performed extended review of the annual accounts of Amarla Retail ApS for the financial year 1 January to 31 December 2020, which comprise profit and loss account, balance sheet, notes including a summary of significant accounting policies and accounting policies used. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, we believe that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We performed the extended review in accordance with the standard from the Danish Business Authority applicable on auditor's reports to small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable on extended review of annual accounts prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the extended review of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainties concerning the enterprise's ability to continue as a going concern**

Without making modifications to our opinion, we draw attention to the information in note 1, in which Management explains significant uncertainty regarding the circumstances and events that could rise significant doubts about the company's ability to continue its operations. This uncertainty attributes especially to the COVID-19 outbreak's impact on the Company's operations in 2020 and 2021.

Management believes that it is possible by materially grow revenue, reducing operating costs and raising additional funds through shareholders or external bank financing or combination thereof to secure sufficient capital, and in accordance with this, the annual report is presented as going concern.

#### **The management's responsibilities for the annual accounts**

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

## **Independent auditor's report on extended review**

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In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

### **Auditor's responsibilities for the extended review of the annual accounts**

Our responsibility is to express an opinion on the annual accounts. This requires that we plan and perform our procedures with the purpose of achieving moderate assurance as to our opinion on the annual accounts. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an evaluation of the achieved audit evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the annual accounts.

### **Statement on the management's review**

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our extended review of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the extended review, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

## Independent auditor's report on extended review

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Copenhagen, 13 August 2021

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Company reg. no. 33 77 12 31



Henrik Ødegaard

State Authorised Public Accountant  
mne31489

## Company information

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### **The company**

Amarla Retail ApS  
Arne Jacobsens Allé 12  
2300 København S

Company reg. no. 34 59 34 69  
Established: 30 May 2012  
Financial year: 1 January - 31 December

### **Executive board**

Carlos Alejandro Radulovitch  
Luis A. M. Penzini Granier

### **Auditors**

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup

### **Parent company**

Amarla Retail SA

## Management commentary

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### **The principal activities of the company**

The company's primary activity is in the retail and wholesale trade of beauty and apparel products for woman by operating a network of retail stores located in Copenhagen as well as doing wholesale trading of products with third and affiliate parties.

### **Development in activities and financial matters**

Following the vast and significant modifications to Amarla's business model in 2019 fiscal year which resulted from the change of ownership process that ended on December 28, 2018, the fiscal year 2020 continued the execution of the new business plan, which started to be implemented in January 2019. Among the most important changes implemented in 2020 are the following:

1. Closing of unprofitable VSBA's – Emporia (Sweden) in January 2020, MOS VSBA (Sweden) in February 2020, Hamngatan (Sweden) in June 2020, Helsinki Air (Finland) in March 2020, Copenhagen Airport Terminal 3 (Denmark) in March 2020, Karl Johan (Norway) in December 2020 and Amagertorv (Denmark) in December 2020
2. Opening of a new VSFA store at Mall of Scandinavia in Feb-2020
3. Negotiated new CBOA for the exclusive rights to the Bath and Body Works (BBW) brand stores in Sweden, Netherlands, Israel and Greece in July 2020
4. Launched new E-commerce site in Sweden – April 2020, thus officially creating Amarla's new business segment
5. Renegotiated the royalty rate with Victoria's Secret's parent company – Lbrands, resulting in a reduction of the royalty rates (i) from 12% to 5% for the Gallerian and MOS VSFA stores, and (ii) from 11% to 10% for all VSBA stores, including the two VSBA's in Finland, and which started in March 2020 and were still valid as of the preparation of this report
6. Negotiated a US\$ 3m credit note with Victoria's Secret's parent company – Lbrands, that reduced the capital expenditures payable
7. Launched new e-commerce website in the Netherlands for BBW brand in Dec-2020
8. Opened new B&S wholesale (IDOS) client
9. Successfully applied for several covid-19 government support programs in all countries

Each one of these initiatives directly or indirectly impacted Amarla Retail Aps because it provided cash flow relief. Among the most important accomplishments in Denmark during 2020 were:

1. Decrease of Amarla's retail sales in Denmark by 48.8% from DKK 98.1m in fiscal year 2019 to DKK 50.2m in fiscal year 2020 despite being affected by Covid pandemic and having closed Amagertorv store in March 2020 and Copenhagen Airport (T3) store in November 2020.
2. Improvement of Amarla's loss in Denmark from DKK 55m -in fiscal year 2019 to DKK 7.8m in fiscal year 2020 despite being affected by Covid pandemic.



## **Management commentary**

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During 2020, Amarla Retail APS had operations at Fields. Management has decided to close its stores Amagertorv in March 2020 and Copenhagen Airport (T3) store in November 2020.

Management makes all appropriate decisions and actions to fulfill Amarla Retail Aps's responsibilities. The company is dependent on the Cersional Spain SL Group for financing.

The Group has sent a letter of support in which it promises to continue the financial support at least until July 2022.

In March 2020, the spread of a novel coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization. This pandemic has negatively affected the European and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions, including mandatory closures and orders to "shelter-in-place." The actions that governments around the world have taken to contain the spread of COVID-19 have resulted in a period of disruption, including closure of our stores, limited store operating hours, reduced customer traffic and consumer spending and caused delays in manufacturing and shipping of products and raw materials. There remains a high level of uncertainty around the pandemic and the potential for further restrictions.

The Company's business operations in 2020 and the initial months of 2021 were materially impacted by the COVID-19 pandemic resulting in continuing operating losses and a deteriorating financial position. Except for those in Sweden, all of the Company's stores in Europe were closed in March 2020. Although we were able to reopen most of our stores at the end of the second quarter of 2020, most of our stores closed again due to government mandates at the end of 2020 and these closures were extended in some countries until April 2021. We adopted new operating models in our stores that focused on providing a safe shopping experience. We followed capacity limitations that ranged from 25% to 50% of normal, reduced store operating hours, closed fitting rooms at Victoria's Secret stores, added registers to promote social distancing and invested in increased labor to accommodate capacity restrictions and new cleaning protocols and in personal protective equipment for our employees. The Company also reduced expenses where possible, including the renegotiation of rents, accessed government assistance, where available, closed non-strategic stores and recently initiated efforts to raise additional capital.

The Board of Directors has implemented extraordinary measures to guarantee business continuity, focused on improving the performance of the Company's subsidiaries. Those actions can be summarized as:

- (i) closure of non-strategic stores;
- (ii) downward renegotiation of store rents;
- (iii) improvement in margins.

## Management commentary

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The Board of Directors of the company has also implemented a transformation plan for operations that, as of the date of formulation of the annual accounts, consists of the following six lines of action:

1. Construction and operation of the “omni-channel” experience for consumers;
2. Replacement of most of the VSBA store network by a VSBL store network that started in 2019;
3. Exploration of new locations for the construction of the BBW store network in all countries where it is licensed since 2020;
4. Launch of the VS and BBW e-commerce business in all countries where it is licensed and approved for operation by the owner of the brand since 2020;
5. Growth of the highly profitable wholesale business by adding new VS clients in 2019 and those of BBW in 2020, and the rebuilding in 2021 of that business after the shutdown of the tourism sector during Covid-19; and exploring the addition of other commercial fashion brands to the wholesale business portfolio; and
6. Exploring the addition of the licensed stores to our retail operations of other specialty retailers.

The Company is actively seeking additional funding through shareholders or external bank financing or combination thereof to fund operating activities, to capture new opportunities as they arise and maintaining sufficient cash reserves to trade into the 2022 Financial Year.

Management continues to plan to materially grow revenue from 2020 onwards through (1) the closure of smaller Victoria’s Secret Basic Assortment (VSBA) retail stores and the opening of new Victoria’s Secret Beauty and Lingerie (VSBL) retail stores that offer better product mix and more selection for customers, and (2) the launch of Victoria’s Secret online stores. Management expects to open a VSBL and online store in Finland within FY 2022 and 2023.

Management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond. The continued heightened uncertainty relating to the potential impacts of COVID-19 on the company’s business operations and the dependency on the successful outcomes of Management’s mitigation actions including securing of additional investment or external funding are critical to the Company’s ability to continue as a going concern and meet its debts and commitments as they fall due.

Management recognize that the combination of the circumstances described above represents a material uncertainty which could adversely affect the going concern assumption of the Company. Nevertheless, the Management expect that expanding the cooperation with the major supplier and reorganizing the branch network amongst other actions, created a reasonable expectation for the Directors that the Company will be able to successfully navigate the present uncertainties it faces and continue in operation. Accordingly, the financial statements have been prepared on a going concern basis.

## Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Net turnover	50.234.928	98.099.706
Other operating income	333.323	178
Raw materials and consumables used	-44.048.085	-74.506.237
Other external costs	-11.050.245	-43.119.848
<b>Gross profit</b>	<b>-4.530.079</b>	<b>-19.526.201</b>
2 Staff costs	-3.390.761	-4.608.506
Depreciation and writedown relating to tangible fixed assets	-1.503.689	-1.685.566
<b>Operating profit</b>	<b>-9.424.529</b>	<b>-25.820.273</b>
Income from equity investment in associate	0	-1.788.298
Other financial income	9.501.874	53.882
Impairment of financial assets	0	-19.612.865
3 Other financial costs	-7.873.098	-7.868.391
<b>Pre-tax net profit or loss</b>	<b>-7.795.753</b>	<b>-55.035.945</b>
Tax on ordinary results	0	0
<b>Net profit or loss for the year</b>	<b>-7.795.753</b>	<b>-55.035.945</b>
<b>Proposed appropriation of net profit:</b>		
Allocated from retained earnings	-7.795.753	-55.035.945
<b>Total allocations and transfers</b>	<b>-7.795.753</b>	<b>-55.035.945</b>

## Statement of financial position at 31 December

All amounts in DKK.

<b>Assets</b>		
<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Fixed assets</b>		
4 Other plants, operating assets, and fixtures and furniture	543.409	2.047.098
Tangible fixed assets in total	<u>543.409</u>	<u>2.047.098</u>
5 Equity investment in associated enterprise	2.932	2.932
6 Other securities and equity investments	24.789.810	11.595.364
7 Deposits	471.901	2.609.072
Financial fixed assets in total	<u>25.264.643</u>	<u>14.207.368</u>
<b>Fixed assets in total</b>	<b><u>25.808.052</u></b>	<b><u>16.254.466</u></b>
<b>Current assets</b>		
Manufactured goods and trade goods	4.345.374	9.819.910
Prepayments for goods	2.661.780	3.083.977
Inventories in total	<u>7.007.154</u>	<u>12.903.887</u>
Trade debtors	1.670.778	7.174.833
Amounts owed by group enterprises	19.153.121	21.136.445
Other debtors	163.160	75.012
Accrued income and deferred expenses	51.315	1.245.339
Debtors in total	<u>21.038.374</u>	<u>29.631.629</u>
Available funds	<u>627.838</u>	<u>1.895.310</u>
<b>Current assets in total</b>	<b><u>28.673.366</u></b>	<b><u>44.430.826</u></b>
<b>Assets in total</b>	<b><u>54.481.418</u></b>	<b><u>60.685.292</u></b>

## Statement of financial position at 31 December

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All amounts in DKK.

<b>Equity and liabilities</b>			
<u>Note</u>		<u>2020</u>	<u>2019</u>
<b>Equity</b>			
8	Contributed capital	100.000	100.000
9	Results brought forward	-120.813.675	-113.017.922
	<b>Equity in total</b>	<b>-120.713.675</b>	<b>-112.917.922</b>
<b>Liabilities</b>			
10	Accruals and deferred income	0	700.000
	Long-term liabilities in total	0	700.000
	Trade creditors	31.199.500	36.298.054
	Debt to group enterprises	141.947.934	134.870.014
	Other debts	1.347.659	1.035.146
	Accrued expenses and deferred income	700.000	700.000
	Short-term liabilities in total	175.195.093	172.903.214
	<b>Liabilities in total</b>	<b>175.195.093</b>	<b>173.603.214</b>
	<b>Equity and liabilities in total</b>	<b>54.481.418</b>	<b>60.685.292</b>

**1** Going concern

**11** Related parties

## Notes

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All amounts in DKK.

### 1. Going concern

The Company has a history of operating losses, negative cash flows from operations and working capital deficiencies and negative equity of 120,713,675 DKK.

The Company's and Group's business operations in 2020 and the initial months of 2021 were materially impacted by the COVID-19 pandemic resulting in continuing operating losses and a deteriorating financial position. Except for those in Sweden, all the Group's stores in Europe were closed in March 2020. Although we were able to reopen most of our stores at the end of the second quarter of 2020, most of our stores closed again due to government mandates at the end of 2020 and these closures were extended in some countries until April 2021.

Management has implemented extraordinary measures to guarantee business continuity, focused on improving the performance of the Company and Group's subsidiaries. Those actions can be summarized as:

- (i) closure of non-strategic stores;
- (ii) downward renegotiation of store rents;
- (iii) improvement in margins.

The Group is actively seeking additional funding through shareholders or external bank financing or combination thereof to fund operating activities, to capture new opportunities as they arise and maintaining sufficient cash reserves to trade into the 2022 Financial Year.

The Company has received a letter of support from the Parent Company and Cersional Spain S.L. in which they promises to continue the financial support at least until July 2022.

The continued heightened uncertainty relating to the potential impacts of COVID-19 on the Company's and Group's business operations and the dependency on the successful outcomes of Management's mitigation actions including securing of additional investment or external funding are critical to the Company's and Group's ability to continue as a going concern and meet its debts and commitments as they fall due.

Management recognize that the combination of the circumstances described above represents a material uncertainty which could adversely affect the going concern assumption of the Company. Nevertheless, Management expect that expanding the cooperation with the major supplier and reorganizing the branch network amongst other actions, created a reasonable expectation for the Executive Board that the Company will be able to successfully navigate the present uncertainties it faces and continue in operation. Accordingly, the financial statements have been prepared on a going concern basis.

## Notes

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All amounts in DKK.

	<u>2020</u>	<u>2019</u>
<b>2. Staff costs</b>		
Salaries and wages	3.311.022	4.098.109
Pension costs	33.000	39.600
Other costs for social security	46.739	470.797
	<u><b>3.390.761</b></u>	<u><b>4.608.506</b></u>
Average number of employees	<u>7</u>	<u>15</u>
<b>3. Other financial costs</b>		
Financial costs, group enterprises	0	182.041
Other financial costs	7.873.098	7.686.350
	<u><b>7.873.098</b></u>	<u><b>7.868.391</b></u>
	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>4. Other plants, operating assets, and fixtures and furniture</b>		
Cost 1 January 2020	<u>15.611.722</u>	<u>15.611.722</u>
<b>Cost 31 December 2020</b>	<u><b>15.611.722</b></u>	<u><b>15.611.722</b></u>
Depreciation and writedown 1 January 2020	-13.564.624	-11.879.057
Depreciation for the year	-1.503.689	-1.685.567
<b>Depreciation and writedown 31 December 2020</b>	<u><b>-15.068.313</b></u>	<u><b>-13.564.624</b></u>
<b>Book value 31 December 2020</b>	<u><b>543.409</b></u>	<u><b>2.047.098</b></u>

## Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>5. Equity investment in associated enterprise</b>		
Acquisition sum, opening balance 1 January 2020	7.002.721	5.211.491
Additions during the year	<u>0</u>	<u>1.791.230</u>
<b>Cost 31 December 2020</b>	<b><u>7.002.721</u></b>	<b><u>7.002.721</u></b>
Revaluation, opening balance 1 January 2020	-6.999.789	-5.211.491
Writedown for the year	<u>0</u>	<u>-1.788.298</u>
<b>Writedown 31 December 2020</b>	<b><u>-6.999.789</u></b>	<b><u>-6.999.789</u></b>
<b>Book value 31 December 2020</b>	<b><u>2.932</u></b>	<b><u>2.932</u></b>
<b>6. Other securities and equity investments</b>		
Cost 1 January 2020	31.208.229	8.811.414
Additions during the year	<u>13.194.446</u>	<u>22.396.815</u>
<b>Cost 31 December 2020</b>	<b><u>44.402.675</u></b>	<b><u>31.208.229</u></b>
Nedskrivninger 1 January 2020	-19.612.865	0
Writedown for the year	<u>0</u>	<u>-19.612.865</u>
<b>Nedskrivninger 31 December 2020</b>	<b><u>-19.612.865</u></b>	<b><u>-19.612.865</u></b>
<b>Book value 31 December 2020</b>	<b><u>24.789.810</u></b>	<b><u>11.595.364</u></b>
<b>7. Deposits</b>		
Cost 1 January 2020	2.609.072	2.534.593
Additions during the year	<u>0</u>	<u>74.479</u>
Disposals during the year	<u>-2.137.171</u>	<u>0</u>
<b>Cost 31 December 2020</b>	<b><u>471.901</u></b>	<b><u>2.609.072</u></b>
<b>Book value 31 December 2020</b>	<b><u>471.901</u></b>	<b><u>2.609.072</u></b>



## Notes

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All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
<b>8. Contributed capital</b>		
Contributed capital 1 January 2020	100.000	100.000
	<u>100.000</u>	<u>100.000</u>
<b>9. Results brought forward</b>		
Results brought forward 1 January 2020	-113.017.922	-57.981.977
Profit or loss for the year brought forward	<u>-7.795.753</u>	<u>-55.035.945</u>
	<u>-120.813.675</u>	<u>-113.017.922</u>
<b>10. Accruals and deferred income</b>		
Total accruals and deferred income	700.000	1.400.000
Share of amount due within 1 year	<u>-700.000</u>	<u>-700.000</u>
	<u>0</u>	<u>700.000</u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>

## 11. Related parties

### Consolidated annual accounts

Amarla Retail ApS is included in the consolidated annual accounts of Amarla Retail S.A., 127 Vouliagmenis Ave., P.C 16 674 Glyfada, Athen, Greece.

## **Accounting policies**

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The annual report for Amarla Retail ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

### **Recognition and measurement in general**

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

### **Translation of foreign currency**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

## **Accounting policies**

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### **Income statement**

#### **Net turnover**

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

#### **Cost of sales**

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

#### **Other operating income**

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

#### **Other external costs**

Other external costs comprise costs for distribution, sales, advertisement, administration and premises.

#### **Staff costs**

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

#### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets respectively.

#### **Net financials**

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

#### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

### **The balance sheet**

#### **Tangible fixed assets**

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

## Accounting policies

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The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

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

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	<i>Useful life</i>	<i>Residual value</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0-20 %</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

### **Writedown of fixed assets**

The book values of tangible fixed assets as well as equity investments in associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

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

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

### **Decoration of rented premises**

Decoration of rented premises are measured at cost with deduction of accrued depreciation. Depreciation takes place on a straight-line basis over the estimated useful life of the asset, which is set at 3-5 years.

### **Financial fixed assets**

#### **Equity investment in associate**

Equity investment in associate is measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

## **Accounting policies**

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### **Other securities and equity investments**

Other securities and equity investments are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

### **Deposits**

Deposits are measured at amortised cost and represent rent deposits, etc.

### **Inventories**

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

### **Debtors**

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

### **Accrued income and deferred expenses**

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Available funds**

Available funds comprise cash at bank and in hand.

### **Liabilities**

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

### **Accrued expenses and deferred income**

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.