
Landal Greenparks ApS

Gl Kærvej 15, DK-6800 Varde

Annual Report for 1 January - 31 December 2020

CVR No 37 34 75 31

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6 /7 2021

Jeroen Jan Mol
Chairman of the General
Meeting

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Landal Greenparks ApS for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Varde, 6 July 2021

Executive Board

Jeroen Jan Mol

Dirk Jan Anbeek

Independent Auditor's Report

To the Shareholder of Landal Greenparks ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Landal Greenparks ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Esbjerg, 6 July 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Palle H. Jensen

statsautoriseret revisor

mne32115

Company Information

The Company

Landal Greenparks ApS
Gl Kærvej 15
DK-6800 Varde

CVR No: 37 34 75 31
Financial period: 1 January - 31 December
Municipality of reg. office: Varde

Executive Board

Jeroen Jan Mol
Dirk Jan Anbeek

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Esbjerg Brygge 28
DK-6700 Esbjerg

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Gross profit/loss	-7.427	-5.919	-3.176	-4.383	-3.541
Operating profit/loss	-8.878	-7.703	-4.198	-5.431	-4.193
Profit/loss before financial income and expenses	-8.878	-7.703	-4.198	-5.431	-4.193
Net financials	-4.269	5.625	-18.612	8.642	12.660
Net profit/loss for the year	-13.349	1.440	-21.941	4.233	10.049
Balance sheet					
Balance sheet total	542.293	376.780	276.976	227.127	191.267
Equity	85.459	98.808	97.368	119.309	115.073
Investment in property, plant and equipment	0	0	-496	-496	-510
Number of employees	0	0	0	2	1
Ratios					
Return on assets	-1,6%	-2,0%	-1,5%	-2,4%	-2,2%
Solvency ratio	15,8%	26,2%	35,2%	52,5%	60,2%
Return on equity	-14,5%	1,5%	-20,3%	3,6%	9,1%

Management's Review

Key activities

The company's main activity is to buy, sell and hold securities, purchase, sales, investments and administration of real estate, as well as accommodations and Food & Beverage operations.

Development in the year

The income statement of the Landal GreenParks ApS and its subsidiaries (hereafter called "Group") for 2020 shows a loss of DKK 13.348.703, and at 31 December 2020 the balance sheet of the Group shows equity of DKK 85.458.874.

The result is below the expected level and is not considered satisfactory. The main reason why the result is below expectation of the Group is:

-The impact of the coronavirus and the Government imposed restrictions.

Targets and expectations for the year ahead

The overall goal and expectations for Landal GreenParks is to get back on track. With the organisational change and with revenues on a stable level, we should be able to improve our profits.

External environment

The Group is striving to reduce its energy consumption and operate a sustainable responsible business in line with the overall environmental strategy for the Landal GreenParks Group.

All the Danish parks are certified according to the international "Greenkey" standard. Centrally Landal GreenParks Group divide the Sustainability budget. Denmark will proportionally receive investment funds to reduce energy, increase bio diversity and reduce waste.

Uncertainty relating to recognition and measurement

It is the opinion of the management that the Group is not subject to any special risk apart from what is normal within the Group's field of operation.

Receivables from larger clients is closely monitored. The assessments of the need for write down of receivables is based on objective indications of impairment, on the futures ability to repay. It is management's assessment that all known factors at year-end has been taken into account, however some factors are based on an estimate and any losses ascertained subsequently may differ from the estimate made.

Intangible and tangible fixed assets is assessed to a future value in use a least equivalent to the booked value.

Uncertainty related to the effects of the coronavirus (COVID-19)

The coronavirus ("COVID-19") continues to affect many areas of the global economy, including travel

Management's Review

and tourism. Temporary border closures, self-isolation, lockdowns, strict social distancing regulations and air travel restrictions continue to impact the industry.

The vacation rentals sector performs better than other segments in the travel industry, as customers are looking for domestic, safe accommodations in individual bungalows and houses, with more space than hotels and the ability to self-cater.

The Company was impacted in 2020 and continues to be affected in 2021 with ongoing travel restrictions. In the second / third COVID-19-wave, parks in Denmark have closed down the central facilities and swimming pools in the fourth quarter due to the Government imposed restrictions, this ended in the second quarter of 2021. Occupancy was therefore lower than normal.

There remains some uncertainty on the extent to which COVID-19 will continue to impact our business, financial condition, and results. It will depend, upon the success of the vaccine roll-out in our main markets, the efficacy of the vaccines to new variants and governmental decisions on travel restrictions.

However, by applying the experience of 2020 and early 2021, we are better able to assess the impact of future lockdown restrictions on our business.

Landal has applied for and obtained government support. Despite the impact of COVID-19 on our business we were able to retain our employees, which was one of the purposes of the government support.

Management's Review

Going Concern Analysis

Management of Landal GreenParks Group has prepared a base case scenario covering the period until December 2022 that reflects the latest information on travel restrictions, the bookings already taken for future arrivals and the recent booking trends in the agency part of the business. The base case assumes no further restrictions or lockdowns (meaning park closures) after May 2021 across our core businesses and a continued preference for domestic over international travel. The number of weeks for the critical Q2 and Q3 2021 arrival periods are expected to perform very strongly as reflected in current booking patterns and as experienced in 2020 when accommodation and borders re-opened.

In addition, the Directors have applied recent experience from winter season 2020/2021 to model a severe and plausible downside scenario that includes the same lockdown restrictions in the fourth quarter of 2021 and first quarter of 2022 as experienced in the comparable periods of the prior year. It is assumed that there will be no international travel between November 2021 and March 2022. Furthermore, it assumes that domestic travel restrictions will mirror November 2020 to March 2021 local guidelines.

Although the Directors consider this to be a highly unlikely scenario given the progress of the vaccine roll-out, it is a stress scenario that allows the Directors to plan monitoring and mitigating actions for this severe downside case.

Under both base case and downside scenarios, the Landal GreenParks Group has or can obtain sufficient liquidity to maintain operations prior to taking into account mitigating actions the Group could undertake.

As a result of the uncertainties caused by COVID-19 the directors of the Company in performing their going concern assessment are due to seasonality dependent on the intercompany loan facility and support arrangements for access to the cash flows necessary for the day-to-day operations of the Company. The indirect shareholder confirmed to provide the financial support necessary to operate as a going concern and enable the Company to meet its debts as they fall due for a period of at least twelve months.

Conclusion

The Directors consider that even with a repeat of the Q4 2020 and Q1 2021 lockdowns at a similar scale and duration, the Landal GreenParks Group has sufficient liquidity to meet its obligations for the foreseeable future. Based on the circumstances described above, the financial statements are prepared on the assumption that the Company is a going concern.

Management's Review

Subsequent events

On 17 June 2021 the Awaze Group announced the signing of a definitive agreement to sell Landal GreenParks to Roompot. Closing of the transactions is subject to customary closing conditions, including competition clearance and advice of the works councils.

In addition no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		-7.427.084	-5.918.991
Staff expenses	3	0	-82.420
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-1.450.836	-1.701.461
Profit/loss before financial income and expenses		-8.877.920	-7.702.872
Income from investments in subsidiaries		-8.066.872	4.527.080
Financial income	5	4.672.882	2.683.913
Financial expenses	6	-874.973	-1.585.983
Profit/loss before tax		-13.146.883	-2.077.862
Tax on profit/loss for the year	7	-201.820	3.517.854
Net profit/loss for the year		-13.348.703	1.439.992
 Proposed distribution of profit			
Reserve for net revaluation under the equity method		-8.066.872	4.527.080
Retained earnings		-5.281.831	-3.087.088
		-13.348.703	1.439.992

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		1.707.031	2.430.656
Intangible assets	8	1.707.031	2.430.656
Land and buildings		32.611	526.223
Plant and machinery		109.050	263.513
Other fixtures and fittings, tools and equipment		92.404	86.451
Leasehold improvements		337.992	411.743
Property, plant and equipment	9	572.057	1.287.930
Investments in subsidiaries	10	264.717.244	232.531.365
Fixed asset investments		264.717.244	232.531.365
Fixed assets		266.996.332	236.249.951
Trade receivables		207.147	43.245
Receivables from group enterprises		205.025.831	91.070.775
Other receivables		306.625	72.150
Deferred tax asset	13	1.485.000	1.806.000
Corporation tax receivable from group enterprises		4.118.279	1.242.332
Prepayments	11	452.851	123.199
Receivables		211.595.733	94.357.701
Cash at bank and in hand		63.700.655	46.172.559
Currents assets		275.296.388	140.530.260
Assets		542.292.720	376.780.211

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		100.000	100.000
Reserve for net revaluation under the equity method		307.562	8.374.434
Reserve for development costs		1.327.139	1.895.912
Retained earnings		83.724.173	88.437.231
Equity		85.458.874	98.807.577
Provisions relating to investments in group enterprises		26.749.070	49.175.028
Provisions		26.749.070	49.175.028
Lease obligations		58.032	60.831
Long-term debt	14	58.032	60.831
Credit institutions		60.320.360	0
Lease obligations	14	78.533	567.992
Prepayments received from customers		15.856.562	10.832.838
Trade payables		5.735.106	1.562.951
Payables to group enterprises		345.094.293	214.352.158
Other payables		2.941.890	644.470
Deferred income	15	0	776.366
Short-term debt		430.026.744	228.736.775
Debt		430.084.776	228.797.606
Liabilities and equity		542.292.720	376.780.211
Capital resources	1		
Subsequent events	2		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	100.000	8.374.434	1.895.912	88.437.231	98.807.577
Depreciation, amortisation and impairment for the year	0	0	-568.773	568.773	0
Net profit/loss for the year	0	-8.066.872	0	-5.281.831	-13.348.703
Equity at 31 December	100.000	307.562	1.327.139	83.724.173	85.458.874

Notes to the Financial Statements

1 Capital resources

The parent company Awaze Limited has provided a letter of support for the Group. Awaze Limited Group intends to continue to provide each direct and indirect subsidiary with the financial support necessary to enable each subsidiary to meet their debts as they fall due, including intercompany balances.

Awaze Limited Group does not intend to withdraw or cancel this support such that the subsidiary shall be able to continue trading for the foreseeable future, being a period of at least twelve months from the date that the 2020 financial statements are signed.

Management expects the new owner will provide ample access to financing. Management therefore considers the Landal GreenParks Group's capital resources to be sufficient.

2 Subsequent events

On 17 June 2021 the Awaze Group announced the signing of a definitive agreement to sell Landal GreenParks to Roompot. Closing of the transactions is subject to customary closing conditions, including competition clearance and advice of the works councils.

In addition no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

3 Staff expenses

	2020 DKK	2019 DKK
Other staff expenses	0	82.420
	0	82.420
Average number of employees	0	0

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	729.197	729.197
Depreciation of property, plant and equipment	812.553	972.264
Gain and loss on disposal	-90.914	0
	1.450.836	1.701.461

Notes to the Financial Statements

	2020	2019
	DKK	DKK
5 Financial income		
Interest received from group enterprises	4.469.154	2.504.237
Other financial income	177.787	179.012
Exchange gains	25.941	664
	4.672.882	2.683.913
6 Financial expenses		
Interest paid to group enterprises	335.606	541.003
Other financial expenses	539.367	1.044.980
Exchange adjustments, expenses	0	-664
Exchange loss	0	664
	874.973	1.585.983
7 Tax on profit/loss for the year		
Current tax for the year	-947.279	-1.242.332
Deferred tax for the year	-179.000	-1.440.000
Adjustment of tax concerning previous years	828.099	237.478
Adjustment of deferred tax concerning previous years	500.000	-1.073.000
	201.820	-3.517.854

Notes to the Financial Statements

8 Intangible assets

	Completed development projects DKK
Cost at 1 January	3.645.984
Additions for the year	0
Cost at 31 December	<u>3.645.984</u>
Impairment losses and amortisation at 1 January	1.215.328
Amortisation for the year	723.625
Impairment losses and amortisation at 31 December	<u>1.938.953</u>
Carrying amount at 31 December	<u>1.707.031</u>
Development projects related to the development of a new IT platform	

9 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	1.008.814	1.142.802	175.798	500.356
Additions for the year	0	0	61.310	0
Disposals for the year	-49.985	0	0	0
Transfers for the year	0	-7.473	7.473	0
Cost at 31 December	<u>958.829</u>	<u>1.135.329</u>	<u>244.581</u>	<u>500.356</u>
Impairment losses and depreciation at 1 January	482.591	879.289	89.347	88.600
Depreciation for the year	443.627	146.990	62.830	73.764
Impairment losses and depreciation at 31 December	<u>926.218</u>	<u>1.026.279</u>	<u>152.177</u>	<u>162.364</u>
Carrying amount at 31 December	<u>32.611</u>	<u>109.050</u>	<u>92.404</u>	<u>337.992</u>
Including assets under finance leases amounting to	<u>32.611</u>	<u>0</u>	<u>92.404</u>	<u>0</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
10 Investments in subsidiaries		
Cost at 1 January	112.500.000	112.500.000
Cost at 31 December	112.500.000	112.500.000
Value adjustments at 1 January	8.374.434	3.847.354
Net profit/loss for the year	-7.216.517	5.377.435
Amortisation of goodwill	-850.355	-850.355
Value adjustments at 31 December	307.562	8.374.434
Equity investments with negative net asset value amortised over receivables	113.826.491	62.481.903
Equity investments with negative net asset value transferred to provisions	38.083.191	49.175.028
Carrying amount at 31 December	264.717.244	232.531.365

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Seawest Attraktioner & Services ApS	Varde	125.000	100%
Seawest Centerbygning ApS	Varde	125.000	100%
Søhøjlandet Attraktioner & Services A/S	Varde	1.000.000	100%
Søhøjlandet Centerbygning ApS	Varde	80.000	100%
Rønbjerg Attraktioner og Services A/S	Varde	500.000	100%
Rønbjerg Centerbygning ApS	Varde	125.000	100%
Øer Maritime Ferie ApS	Varde	80.000	100%
Landal Formidling ApS	Varde	125.000	100%

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

	2020 DKK	2019 DKK
12 Distribution of profit		
Reserve for net revaluation under the equity method	-8.066.872	4.527.080
Retained earnings	-5.281.831	-3.087.088
	<u>-13.348.703</u>	<u>1.439.992</u>

13 Deferred tax asset

Deferred tax asset at 1 January	1.806.000	-707.000
Amounts recognised in the income statement for the year	-321.000	1.440.000
Amounts recognised in equity for the year	0	1.073.000
Deferred tax asset at 31 December	<u>1.485.000</u>	<u>1.806.000</u>
Tax loss carry-forward	-1.485.000	-1.806.000
Transferred to deferred tax asset	1.485.000	1.806.000
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>1.485.000</u>	<u>1.806.000</u>
Carrying amount	<u>1.485.000</u>	<u>1.806.000</u>

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

Between 1 and 5 years	58.032	60.831
Long-term part	58.032	60.831
Within 1 year	78.533	567.992
	<u>136.565</u>	<u>628.823</u>

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	2020 DKK	2019 DKK
16 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings with a carrying amount of	32.611	526.223

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Compass Bidco ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

There are no security and contingent liabilities at 31 December 2020.

17 Related parties

	<u>Basis</u>
Controlling interest	
Landal GreenParks Holding B.V., Holland	Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

No details of related party transactions are disclosed, as all transactions are considered to be carried out on an arm's length basis .

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Landal GreenParks Holding B.V., Holland

Notes to the Financial Statements

17 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
PE Compass Holding II Limited	London, United Kingdom

The Group Annual Report of PE Compass Holding II Limited may be obtained at the following address:

100 New Bridge Street, London, United Kingdom

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Landal Greenparks ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of PE Compass Holding II Limited, England, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of PE Compass Holding II Limited, the Company has not prepared a cash flow statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

18 Accounting Policies (continued)

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries and other expenses directly or indirectly attributable to the Company’s development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over

Notes to the Financial Statements

18 Accounting Policies (continued)

the period of the expected economic benefit from the development work. The amortisation period is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years
Leasehold improvements	3-7 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation

Notes to the Financial Statements

18 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.