

Lenovo Global Technology Denmark ApS

Vandtårnsvej 83A, 2860 Søborg
CVR No. 37 96 07 21

Annual Report for the year ended March 31, 2022

Approved in the Annual General Meeting of shareholders
on 15 September 2022

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Chairman - Christophe Laurent

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COMPANY DETAILS

Lenovo Global Technology Denmark ApS
Vandtårnsvej 83A
2860 Søborg

CVR No. 37 96 07 21
Financial period: 31st March
Municipality of reg office: Gladsaxe

Executive Board

Christophe Laurent
Colm Gleeson

Auditors

PricewaterhouseCoopers

Bankers

Citibank International PLC, Denmark Branch

MANAGEMENT'S STATEMENT

The Executive and the Supervisory Boards have presented the Annual Report for the year ended 31 March 2022. The Annual Report was discussed and adopted on 15th September 2022.

The Annual Report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the Annual Report includes the information which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position and results of operations for the year ended 31 March 2022.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted by the Annual General Meeting of shareholders.

Søborg, 15th September 2022

Executive Board:

.....
Christophe Laurent

.....
Colm Gleeson

Independent Auditor's Report

To the Shareholder of Lenovo Global Technology Danmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2022, and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lenovo Global Technology Danmark ApS for the financial year 1 April 2021 - 31 March 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements Act.

Independent Auditor's Report

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.

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 judgment and maintain professional skepticism 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.

Independent Auditor's Report

- 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.
- 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.

Hellerup - Copenhagen, 15 September 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR-nr. 33 77 12 31

Martin Lunden
State Authorised Public Accountant
mne32209

Maj-Britt Nørskov Nannestad
State Authorised Public Accountant
mne32198

FINANCIAL HIGHLIGHTS

5-year summary:

	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>
Key figures (in DKK thousands)					
Revenue	274,523	215,438	357,254	316,212	275,466
Gross margin	33,508	36,593	40,148	40,393	39,778
Profit/loss before net financials (EBIT)	4,122	7,531	10,423	5,766	11,210
Net financials	-1,086	-4,111	-6,473	-2,135	-2,897
Net profit for the year	2,367	2,661	3,053	2,819	6,459
Shareholders' equity at year-end	20,015	17,648	14,987	11,934	9,115
Total assets	166,860	164,230	178,500	191,536	170,279
Investments in tangible assets for the year	172	117	225	83	94
Number of employees	16	17	19	20	22
Ratios (%)					
Return on assets	2.5	4.6	5.8	3.0	6.6
Current ratio	115.8	110.3	100.5	91.0	85.2
Equity ratio	12.0	10.7	8.4	6.2	5.4
Return on equity	11.8	15.1	20.4	23.6	70.9

Definition of financial ratios:

Return on assets: Profit/loss before financials / Average total assets * 100

Current ratio: Current assets / Short-term liabilities * 100

Equity ratio: Shareholders' equity / Total assets * 100

Return on equity: Net profit/loss for the year / Average shareholders' equity * 100

MANAGEMENT'S REVIEW

Business activities and mission

Lenovo Group Limited is one of the world's leading computer technology companies. The Group has broadened its device business from PC to include mobile and enterprise businesses. Lenovo has been listed on The Stock Exchange of Hong Kong since 1994.

Lenovo Global Technology Denmark Aps is a wholly owned subsidiary of Lenovo Global Technology B.V. in Amsterdam. The company's activities consist of sales to Danish companies. The product portfolio consists of Server sales and support services.

Business review

The company shows a profit for 2021/2022 of 2,367 TDKK and a total balance as at March 31, 2022 of 166,860 TDKK and equity of 20,015 TDKK, which management considers satisfying in view of the unprecedented economic disruption from COVID-19 which has brought about volatility and challenges on a global scale, this year's performance is in line with the expectations we had last year .

Expectations for the future

The expectation is that capital expenditures, number of employees and financing will remain steady for fiscal year 2022-2023. It is expected that the overall revenue will adjust in accordance with market demands. Software and services sales is expected to increase as the company succeeds in the business transformation to become more solution oriented.

Management expect a positive result before tax for the financial year 2022/23, in line with the financial year 2021/22.

Unusual risks

Lenovo Global Technology Danmark ApS is assessed not to be subject to any special risks, including operating and financial risks, apart from the usual risks in the line of business.

Knowledge resources

Lenovo Global Technology Danmark ApS is assessed not to have any special knowledge resources, apart from the normal knowledge resources in the line of business.

Effect on the external environment

Lenovo products comply with all applicable environmental regulations, such as WEEE and RoHS. Lenovo seeks to be among the environmental leaders in all business activities.

Human Rights

Details about Lenovo policies regarding human rights are included within the Corporate Social Responsibility Report of Lenovo Group Limited's Annual Report.

Statutory Report on Social Responsibility, cf. Section 99a of the Danish Financial Statements Act

Lenovo Global Technology Danmark is, as part of the Lenovo Group, subject to the CSR policies that are implemented across the Group. In accordance with the policies, Lenovo Global Technology Danmark works actively with a range of sustainability areas and, in particular, with the environment and human rights, that are mandatory for Lenovo Global Technology Danmark to disclose on following Section 99 a of the Danish Financial Statements Act. More information on our work within sustainability are available in the Lenovo Group Sustainability Report 2021/22 (<https://investor.lenovo.com/en/sustainability/reports/FY2022-lenovo-sustainability-report.pdf>) through which Lenovo Global Technology Danmark comply with the Danish disclosure requirements.

Statutory Report on Gender Composition in Management, cf. Section 99b of the Danish Financial Statements Act

Lenovo's Commitment to Diversity and Nondiscrimination is accessible on our website along with other corporate policies at https://www.lenovo.com/us/en/social_responsibility/

Lenovo wants to promote a corporate culture according to which appointments are based on competencies. It is important for everybody to have equal access to the Board of Directors and Top Management irrespective of gender, age, national origin, religion or political orientation.

The diversity policy is being revised and implemented continuously.

The executive board currently consists of 2 members who are both male, which according to the Danish Business Authorities is considered to be an equal distribution. However, Lenovo Global Technology Denmark ApS has set a target to elect at least one female member of the executive board. The target was not achieved in the financial year 2021/22 due there being no suitable female candidates identified at a local level. A process is underway to identify suitable female candidates from the wider Group before the end of financial year 2022/23

It is the company's target to have at least 40% women in the management group. In the financial year 2021/22 the goal was met as 43% of the management group was comprised by women. The 40% target will remain in FY2022/23, to keep this target, the company invests in several career programs to ensure it is developing that pipeline through learning, sponsorship, and mentorship programs in partnership with its employee resource groups, business leaders, and Human Resource teams. The longest-running programs include the Women's Leadership Development Program (WLDP) to develop female executive talent, and the Mosaic Leadership Development Program (MLDP) which aims to develop executive talent from underrepresented backgrounds.

In addition to the previously cited Women's and Mosaic leadership development programs, the Company started a sponsorship program in 2020 to grow diverse talent at the director level into the executive director ranks, ensuring that there is appropriate exposure and career progression for participants. The Company will also be launching a 'Courageous Leadership' program in the U.S. during Summer 2022 to develop senior managers from diverse backgrounds into the director level

Statutory Report on Data ethics in Management, cf. Section 99d of the Danish Financial Statements

Lenovo Danmark Data ethics are available in the Lenovo Group Sustainability Report 2021/22 (<https://investor.lenovo.com/en/sustainability/reports/FY2022-lenovo-sustainability-report.pdf>) through which Lenovo Danmark comply with the Danish disclosure requirements.

INCOME STATEMENT for 1st April to 31st March

		2021/22	2020/21
	Notes	DKK	DKK
Revenue	1	274,522,975	215,438,242
Cost of Goods Sold		-243,033,969	-183,925,820
Other operating income		6,955,340	9,643,101
Other external expenses		-4,936,220	-4,562,780
Gross margin		33,508,127	36,592,743
Staff costs	2	-24,323,882	-24,145,210
Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment	3	-5,062,223	-4,916,610
Profit before net financials		4,122,021	7,530,924
Other financial income	4	2,647,603	1,063,961
Other financial expenses	4	-3,733,454	-5,174,889
Profit before tax		3,036,170	3,419,996
Tax for the year	5	-669,506	-758,700
NET PROFIT FOR THE YEAR		2,366,663	2,661,296

BALANCE SHEET at March 31

		2022	2021
	Notes	DKK	DKK
ASSETS			
Fixed assets			
Goodwill	6	13,525,190	18,484,810
Intangible assets		13,525,190	18,484,810
Other plant, operating equipment	7	321,344	260,289
Tangible assets		321,344	260,289
Total fixed assets		13,846,534	18,745,099
Current assets			
Trade receivables		33,497,368	36,684,977
Receivables from group enterprises		117,735,810	106,603,165
Other receivables		149,942	1,515
Deferred tax asset	8	0	66,128
Receivables		151,383,120	143,355,785
Cash		1,630,053	2,128,763
Total current assets		153,013,173	145,484,548
TOTAL ASSETS		166,859,707	164,229,647

BALANCE SHEET at March 31

		2022	2021
	Notes	DKK	DKK
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	9	50,000	50,000
Retained earnings		19,964,701	17,598,038
Total shareholders' equity		20,014,701	17,648,038
Provision for deferred tax	8	264,896	0
Deferred income (long-term part)	10	14,390,607	12,485,804
Other payables (long-term part)		0	2,215,234
Long-term liabilities		14,655,503	14,701,038
Liabilities other than provisions			
Trade Payables		1,499,065	448,629
Payables to group enterprises		72,561,753	82,461,391
Income taxes payable		346,959	447,421
Other payables		45,200,500	37,131,134
Deferred income	10	12,581,225	11,391,996
Short-term liabilities		132,189,502	131,880,571

BALANCE SHEET at March 31

		2022	2021
	Notes	DKK	DKK
continued			
Total liabilities other than provisions		146,845,005	146,581,609
TOTAL EQUITY AND LIABILITIES		166,859,707	164,229,647
Proposed distribution of profit	11		
Contingent liabilities	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
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STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings/ Accumulated loss	Total
Shareholders' equity at 1/4 2021	50,000	17,598,038	17,648,038
Profit for the year	0	2,366,663	2,366,663
Shareholders' equity at 31/3 2022	50,000	19,964,701	20,014,701

NOTES

Note 1. Revenue

The whole of revenue is attributable to one continuing activity - sale of enterprise servers, SDI, and storage solutions.

All revenue arose within Denmark.

	2021/22	2020/21
	DKK	DKK
Note 2. Staff costs		
Analysis of staff costs:		
Wages and salaries	21,757,720	21,969,525
Pension costs	2,411,048	1,946,716
Other staff costs	155,115	228,968
	24,323,882	24,145,210
Average number of employees	16	17

Total Executive Board remuneration in FY20/21 and FY21/22 was DKK 5,126,110 and DKK 6,300,981. None of the remuneration is borne and paid by the Danish entity.

Note 3. Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment

Goodwill	4,959,620	4,807,933
Other plant, operating equipment and inventory	102,603	108,677
	5,062,223	4,916,610

Note 4. Other financial income and expense

Intercompany	2,540,792	843,788
Non-Intercompany	106,811	220,173
Other financial income	2,647,603	1,063,961
Intercompany	-3,664,816	-3,691,087
Non-Intercompany	-68,638	-1,483,802
Other financial expenses	-3,733,454	-5,174,889

NOTES

	2021/22 DKK	2020/21 DKK
Note 5. Tax for the year		
Income tax charge, excl. interest surcharges	338,623	439,085
Change in provision for deferred tax	331,024	319,615
	669,647	758,700
Note 6. Intangible assets		
Goodwill		
Cost		
Balance April 1	38,605,161	38,605,161
Cost at March 31	38,605,161	38,605,161
Amortisation		
Balance at April 1	20,120,352	15,312,419
Amortisation in the year	4,959,620	4,807,933
Amortisation at March 31	25,079,972	20,120,352
Carrying amount at March 31	13,525,190	18,484,810

NOTES

	2021/22 DKK	2020/21 DKK
Note 7. Other plant and equipment		
Other plant, operating equipment		
Cost		
Balance at April 1	423,560	368,456
Additions in the year	172,456	117,477
Disposals in the year	-20,111	-62,373
Cost at March 31	575,906	423,560
Depreciation and write-downs		
Balance at April 1	163,271	111,467
Depreciation in the year	102,603	108,677
Depreciation of disposals in the year	-11,312	-56,873
Depreciation and write-downs at March 31	254,561	163,271
Carrying amount at March 31	321,344	260,289

NOTES

	2021/22	2020/21
	DKK	DKK
Note 8. Deferred tax assets and liabilities		
Balance 1 April 2021	66,128	385,743
Movement in tax asset during the year	-331,024	-319,615
Balance 31 March 2022	-264,896	66,128

The tax asset and liabilities relates to temporary differences in goodwill and in accruals for bad debt losses, bonuses & commission and marketing expenses. Deferred tax asset is expected to be bonuses & commission and marketing expenses. Deferred tax asset is expected to be utilised by future positive earnings in the coming years.

Deferred tax assets and liabilities has been calculated based on a tax percentage of 22 %.

Note 9. Share capital

Analysis of the Company's share capital, DKK 50,000:

50 class A shares of DKK 1,000 each	50,000	50,000
	50,000	50,000

All shares have the same share class.

NOTES

	2021/22 DKK	2020/21 DKK
Note 10. Deferred income		
Deferred income	26,971,832	23,877,800
Within 1 year	12,581,225	11,391,996
Within 1-5 years	14,390,607	12,485,804
	26,971,832	23,877,800

Note 11. Proposed distribution of profit

Retained earnings	2,366,663	2,661,296
	2,366,663	2,661,296

Note 12. Contingent liabilities

Lease obligations under operating leases. Total future payments:

	2021/22 DKK	2020/21 DKK
Within 1 year	488,324	474,870
Within 1-5 years	658,437	910,144
	1,146,760	1,385,014

Note 13. Related parties

All intercompany transactions have been made at arm's length.

The Danish Group companies are jointly and severally liable for tax on the jointly tax incomes etc. of the Group. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company buys goods and receives certain administrative services from other group companies.

Lenovo Global Technology International B.V., Entrée 250A, Amsterdam, The Netherlands, holds 100% of the shares in Lenovo Global Technology Denmark Aps. The ultimate parent is Lenovo Group Limited is the largest group which consolidates these financial statements. Copies of the financial statements of this undertaking may be obtained from 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The Annual Report is available at www.lenovo.com

NOTES

Apart from the above, there have been no transactions with the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

	2021/22	2020/21
	DKK	DKK
Note 14. Fee to auditors appointed at the general meeting		
Fees for the statutory audit of the financial statements	298,597	269,217
fees for other services	8,500	8,500
	<hr/> 307,097 <hr/>	<hr/> 277,717 <hr/>

Note 15. Share-based remuneration

At March 31, 2019, share options had been issued, at market value on the time of issue, to a number of managing employees in the Company. The allotment of share options depends on the fulfillment of certain financial accounting performance measures, both short-term and long-term. The option scheme concerns shares in the ultimate parent, Lenovo Group Limited (Hong Kong). The share options can be utilized by 25 % p.a. from the date of issue. At March 31, 2022, the share option scheme consists of 139,635 shares. Costs related to payment of the option scheme are paid by the ultimate parent, Lenovo Group Limited (Hong Kong), where it is taken to their profit and loss account.

Note 16. Post balance sheet events

After the end of the financial year, no significant events have occurred that might influence the evaluation of the company's financial condition.

NOTES

Note 17. Accounting policies

Basis of Preparation

The Annual Report of Lenovo Global Technology Danmark ApS has been presented in accordance with the provisions of the Danish Financial Statements Act as regards to reporting class large C .

In accordance with the Danish Financial Statements Act paragraph 86,4, the Company has not disclosed a cash flow statement, since the Company`s cash flows are included in the cash flow statement of the parent company, Lenovo Group Limited.

Accounting policies are consistent with last year .

Reporting currency

The Annual Report is presented in Danish kroner.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction.

NOTES

Note 17. Accounting policies- continued

Income statement

Revenue

Revenue from sale of goods held for sale, finished goods and services is recognized as revenue at the time of delivery and when the risk passes to the buyer and the amount can be stated reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Cost of goods sold

Cost of goods sold comprises expenses incurred to generate the revenue for the year.

Other operating income

Other operating income include revenue from all other operating activities which are not related to the principal activities of the company.

Other external expenses

Other external expenses include distribution expenses and expenses regarding management and administration of the company.

Staff costs

Staff costs comprises salary, pension and other staff related expenses for the year.

Amortisation/depreciation and write-downs

This item includes amortisation/depreciation and write-downs of intangible assets and property, plant and equipment. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the below assessments of the useful life of the assets.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff.

Property, plant and equipment are depreciated on a straight-line basis, based on the cost.

Amortisation/depreciation are measured by reference to the following assessment of the useful life:

	Useful life
Goodwill	10 years
Other fixtures and fittings, tools and equipment	3-5 years
Demomodels	1 year

NOTES

Note 17. Accounting policies- continued

The residual value and the useful life of assets are reviewed at the end of each reporting period.

Net financials

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions, and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement

The Company is jointly taxed with the Danish sisters company. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses)

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and write-downs.

An impairment test is made for goodwill if there are indications of decreases in value. The impairment test is made for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or the business area to which the goodwill relates (recoverable amount) if it is lower than the carrying amount.

Property, plant and equipment

Other plant and equipment comprise other fixtures, fittings, tools and equipment. Other plant and equipment are measured at cost less accumulated depreciation and write-downs.

An impairment test is made for other plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

The scrap values are assessed on a yearly basis.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

NOTES

Note 17. Accounting policies- continued

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent reporting years.

Income taxes

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Liabilities payable

Liabilities payable are measured to amortised cost value, which in all are equal to nominal value.

Share based payment

Lenovo Danmark ApS participates in the Lenovo Group Limited operated long-term incentive program to recognise employees' individual and collective contributions. This includes two types of awards, namely share appreciation rights and restricted share units. Lenovo Group Limited reserves the right, at its discretion, to pay the award in cash or ordinary shares. The fair value of the employee services received in exchange for the grant of the long term incentive awards is recognised as an expense by the ultimate parent, Lenovo Group Limited (Hong Kong).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the long term incentive awards granted. Non-market vesting conditions (for example profitability and sales growth targets) are included in the assumptions about the number of long term incentive awards that are expected to become exercisable / vested.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years. Income due to be recognized in more than 12 months is classified as long-term deferred income on the balance sheet.