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# ***Pandora Jewelry Taiwan A/S***

Havneholmen 17-19, DK-1561 Copenhagen V

## **Annual Report for 2023**

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CVR No. 39 58 40 85

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 21/6 2024

Pernille Bregendahl  
Chair

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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pandora Jewelry Taiwan A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company's operations for 2023.

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

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

Copenhagen, 21 June 2024

## Executive Board

David LLoyd Allen

## Board of Directors

Peter Ring  
Chair

Anders Boyer-Søgaard

David LLoyd Allen

# Independent Auditor's report

To the shareholder of Pandora Jewelry Taiwan A/S

## Opinion

We have audited the financial statements of Pandora Jewelry Taiwan A/S for the financial year 1 January – 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

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.

## 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 as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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.

# 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 note 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.

## Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

# Independent Auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 21 June 2024

**EY Godkendt Revisionspartnerselskab**

*CVR No 30700208*

Jens Thordahl Nøhr  
State Authorised Public Account  
mne32212

Mads Vinding  
State Authorised Public Account  
mne42792

## Company information

<b>The Company</b>	<p>Pandora Jewelry Taiwan A/S Havneholmen 17-19 1561 Copenhagen V</p> <p>CVR No: 39 58 40 85 Financial period: 1 January - 31 December Incorporated: 18 May 2018 Municipality of reg. office: Copenhagen, Denmark</p>
<b>Board of Directors</b>	<p>Peter Ring, chair Anders Boyer-Søgaard David LLOYD Allen</p>
<b>Executive Board</b>	<p>David LLOYD Allen</p>
<b>Auditors</b>	<p>EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg</p>

## Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TTWD	TTWD	TTWD	TTWD	TTWD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	657,987	745,382	812,334	784,039	772,888
Gross profit	112,946	123,187	147,773	140,597	163,643
Profit/loss of primary operations	-15,003	-15,773	2,989	-2,964	13,014
Profit/loss of financial income and expenses	-14,373	-15,899	-5,613	-1,768	-802
Net profit/loss for the year	-21,602	-23,795	-1,590	-3,526	10,328
<b>Balance sheet</b>					
Balance sheet total	611,097	560,678	637,225	719,791	614,814
Investment in property, plant and equipment	22,103	13,675	38,098	285	28,309
Equity	-35,478	-13,876	9,919	11,509	15,034
Average number of employees	97	101	105	102	117
<b>Ratios</b>					
Gross margin	17.2%	16.5%	18.2%	17.9%	21.2%
Profit margin	-2.3%	-2.1%	0.4%	-0.4%	1.7%

### Explanation of financial ratios:

Gross margin:  $\text{Gross profit} \times 100 / \text{Revenue}$

Profit margin:  $\text{Profit before financials} \times 100 / \text{Revenue}$



# Management's review

## Business review

The Company's main activity is to operate the Pandora sales activity in Taiwan, through a branch in Taiwan.

## Uncertainty in recognizing and measuring

There is no significant uncertainty in recognition and measurement.

## Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities of the Company for the financial year for 2023 have not been affected by any unusual events.

## Development in the year

In 2023 the Company's revenue was TWD 658 mill. (2022: TWD 745 mill.) and the gross profit was TWD 113 mill. (2022: TWD 123 mill.). Furthermore, the income statement of the Company for 2023 shows a net loss for the year of TWD -22 mill. (2022: TWD -24 mill.), which is lower than expected. The revenue declined compared to last year's outlook, and the subsequent impact on the result for the year, was mainly driven by general downtrend of Taiwan economy post Covid-19.

The Company in general generates revenue from sales through in total 21 stores. The 14 owned and operated concept stores and 7 owned and operated shop in shop stores are all located in Taiwan through a local Taiwan branch (Pandora Jewelry Taiwan A/S Taiwan Branch). The branch's registered office of the main business location is at 14F., No. 97, Songren Rd., Taipai City, Taiwan.

During 2023, the Company closed one concept store, TW Taipei Qsquare PUS, and opened three concept stores, TW Taichung Mitsui LaLaport, TW KS SKM PARK, TW Mitsukoshi A8.

The Company's equity amounts to TWD -35 mill. The Company has lost more than half of the share capital and is subject to provisions on re-establishment under the Danish Companies Act. The Company has re-established its share capital through a debt conversion of TWD 465 mill. in 2024.

## Impact from the external environment

The company is not exposed to special risks beyond those that are common to the business.

## Subsequent events and Outlook

No subsequent events have occurred after the balance sheet date, except of the share capital increase mentioned above.

The Company is expecting revenue growth of 10% in 2024 and a loss before tax, estimated in the range of TWD -25 mill. to TWD -30 mill., mainly affected by depreciation on Goodwill.

The Company aims to expand its offline footprint in 2024, by opening two new shops and to up-grade existing stores, and to maintain steady growth in Momo and Yahoo to offer end-consumers a seamless shopping journey online and offline.

## Particular risks

The Company's revenue is highly vulnerable to the general economic developments in Taiwan and Greater China.

## Income statement 1 January - 31 December

	Note	2023	2022
		TTWD	TTWD
Revenue		657,987	745,382
Expenses for raw materials and consumables		-276,789	-340,558
Other external expenses		-268,252	-281,637
<b>Gross profit</b>		<b>112,946</b>	<b>123,187</b>
Staff expenses	2	-89,609	-93,299
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-38,340	-45,661
<b>Profit/loss before financial income and expenses</b>		<b>-15,003</b>	<b>-15,773</b>
Financial income	4	56	439
Financial expenses	5	-14,429	-16,338
<b>Profit/loss before tax</b>		<b>-29,376</b>	<b>-31,672</b>
Tax on profit/loss for the year	6	7,774	7,877
<b>Net profit/loss for the year</b>	7	<b>-21,602</b>	<b>-23,795</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		TTWD	TTWD
Other intangible assets		568	1,200
Goodwill		119,423	143,308
<b>Intangible assets</b>	<b>8</b>	<b>119,991</b>	<b>144,508</b>
Other fixtures and fittings, tools and equipment		29,362	20,932
<b>Property, plant and equipment</b>	<b>9</b>	<b>29,362</b>	<b>20,932</b>
Deposits		903	800
<b>Fixed asset investments</b>		<b>903</b>	<b>800</b>
<b>Fixed assets</b>		<b>150,256</b>	<b>166,240</b>
Finished goods and goods for resale		277,513	210,740
<b>Inventories</b>		<b>277,513</b>	<b>210,740</b>
Trade receivables		112,520	141,177
Other receivables		1,597	559
Deferred tax asset	12	4,297	2,817
Corporation tax receivable from group enterprises		10,178	10,669
Prepayments	10	974	920
<b>Receivables</b>		<b>129,566</b>	<b>156,142</b>
<b>Cash at bank and in hand</b>		<b>53,762</b>	<b>27,556</b>
<b>Current assets</b>		<b>460,841</b>	<b>394,438</b>
<b>Assets</b>		<b>611,097</b>	<b>560,678</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		TTWD	TTWD
Share capital	11	4,700	4,700
Retained earnings		-40,178	-18,576
<b>Equity</b>		<b>-35,478</b>	<b>-13,876</b>
Provision for deferred tax	12	11,195	9,008
Other provisions	13	14,968	11,766
<b>Provisions</b>		<b>26,163</b>	<b>20,774</b>
Trade payables		53,540	61,598
Payables to group enterprises		561,433	487,602
Corporation tax		354	578
Other payables		5,085	4,002
<b>Short-term debt</b>		<b>620,412</b>	<b>553,780</b>
<b>Debt</b>		<b>620,412</b>	<b>553,780</b>
<b>Liabilities and equity</b>		<b>611,097</b>	<b>560,678</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

## Statement of changes in equity

	Share capital	Retained earnings	Total
	TTWD	TTWD	TTWD
Equity at 1 January	4,700	-18,576	-13,876
Net profit/loss for the year	0	-21,602	-21,602
<b>Equity at 31 December</b>	<b>4,700</b>	<b>-40,178</b>	<b>-35,478</b>

# Notes to the Financial Statements

## 1. Going concern

As at 31 December 2023 the Company had a negative equity equal to TWD -35 mill. Current Assets amount to TWD 461 mill. with corresponding current liabilities of TWD 620 mill. At December 2023, debt towards group entities, mainly the parent company, amounts to TWD 561 mill. The debt towards group entities relates to the acquisition of distribution in Taiwan for which the purchase price was TWD 440 mill.

As part of the financing, a loan agreement has been entered between the Company and its parent company, Pandora A/S, in which the Company has secured a credit facility of TWD 600 mill. All outstanding amounts under the credit facility is payable on the last day of the term. The credit facility is automatically extended with consecutive 1 year. The credit facility may be terminated with 30-day written notice before the last day of the term. Pandora A/S has confirmed that the credit facility will not be terminated before 1 January 2025.

The Company has re-established its share capital through a debt conversion of TWD 465 mill. in 2024.

Based on the abovementioned credit facility, the Board of Directors and the Executive Board consider it reasonable and well-founded to base the financial reporting on going concern assumption.

## 2. Staff Expenses

	2023	2022
	TTWD	TTWD
Wages and salaries	72,800	76,031
Pensions	3,848	4,612
Other social security expenses	7,960	8,870
Other staff expenses	5,001	3,786
	<u>89,609</u>	<u>93,299</u>

Remuneration to the Executive Board and Board of Directors is paid from group companies within Pandora Group and considered part of the management fee paid to Pandora A/S under the group transfer pricing policy.

Average number of employees	<u>97</u>	<u>101</u>
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## 3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment

	2023	2022
	TTWD	TTWD
Amortisation of intangible assets	24,667	24,574
Depreciation of property, plant and equipment	13,673	21,087
	<u>38,340</u>	<u>45,661</u>

## Notes to the Financial Statements

	2023	2022
	TTWD	TTWD
<b>4. Financial income</b>		
Other financial income	56	11
Exchange adjustments	0	428
	<u>56</u>	<u>439</u>

	2023	2022
	TTWD	TTWD
<b>5. Financial expenses</b>		
Interest paid to group enterprises	14,031	16,128
Other financial expenses	203	210
Exchange adjustments, expenses	195	0
	<u>14,429</u>	<u>16,338</u>

	2023	2022
	TTWD	TTWD
<b>6. Income tax expense</b>		
Current tax for the year	-8,511	-10,091
Deferred tax for the year	707	1,292
Adjustment of tax concerning previous years	30	922
	<u>-7,774</u>	<u>-7,877</u>

The Company has taxes payable to the local Taiwan tax authorities as the branch in Taiwan has permanent establishment. The holding company in Denmark, excluding the Taiwan branch, is jointly taxed with Pandora A/S and other Danish entities. The company is entitled to joint taxation receivable in Denmark.

	2023	2022
	TTWD	TTWD
<b>7. Profit allocation</b>		
Retained earnings	-21,602	-23,795
	<u>-21,602</u>	<u>-23,795</u>

## Notes to the Financial Statements

### 8. Intangible fixed assets

	Other intangible assets	Goodwill
	TTWD	TTWD
Cost at 1 January	5,541	238,848
Additions for the year	150	0
Cost at 31 December	<u>5,691</u>	<u>238,848</u>
Impairment losses and amortisation at 1 January	4,341	95,540
Amortisation for the year	782	23,885
Impairment losses and amortisation at 31 December	<u>5,123</u>	<u>119,425</u>
<b>Carrying amount at 31 December</b>	<u><b>568</b></u>	<u><b>119,423</b></u>

Goodwill has been tested for impairment based on expected future cash flow under the Pandora Group transfer pricing setup.  
No impairment identified.

### 9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TTWD
Cost at 1 January	72,367
Additions for the year	22,103
Cost at 31 December	<u>94,470</u>
Impairment losses and depreciation at 1 January	51,435
Depreciation for the year	13,673
Impairment losses and depreciation at 31 December	<u>65,108</u>
<b>Carrying amount at 31 December</b>	<u><b>29,362</b></u>

### 10. Prepayments

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



# Notes to the Financial Statements

## 11. Share capital

The composition of the share capital:  
1,000,000 A-shares of DKK 1,00 nominal value each.

All shares rank equally.

## 12. Provision for deferred tax

	2023	2022
	TTWD	TTWD
Deferred tax liabilities at 1 January	6,191	4,899
Amounts recognised in the income statement for the year	707	1,292
<b>Deferred tax liabilities at 31 December</b>	<b>6,898</b>	<b>6,191</b>
Recognised in the balance sheet as follows:		
Assets	4,297	2,817
Provisions	-11,195	-9,008
	<b>6,898</b>	<b>6,191</b>

The deferred tax liability relates to intangible assets and deferred tax assets relates to provisions.

## 13. Other provisions

	2023	2022
	TTWD	TTWD
Other provisions at 1 January	11,766	12,492
Additions	6,888	6,718
Unused provisions reversed	-2,666	-4,763
Utilised in the year	-1,020	-2,681
	<b>14,968</b>	<b>11,766</b>
The provisions are expected to mature as follows:		
Current	1,508	1,731
Non-current	13,460	10,035
	<b>14,968</b>	<b>11,766</b>

Current provisions relate to return and warranty provisions whereas non-current provisions relate to obligations to restore leased property.

# Notes to the Financial Statements

## 14. Contingent assets, liabilities and other financial obligations

### Other contingent liabilities

The Company has taxes payable to the local Taiwan tax authorities as the branch in Taiwan has permanent establishment. The holding company in Denmark, excluding the Taiwan branch, is 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 Pandora A/S, 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.

The rent and lease liabilities include a rent obligation totalling TWD 16 mill. (2022: TWD 23 mill.) in interminable rent agreements with remaining contract of 1-5 years.

The Company does not have any security or other collateral in assets at 31 December 2023.

## 15. Related parties

### Transactions

During the year, the Company had the following transactions with related parties:

Cost of sales TWD 276,789 (2022: TWD 340,558)

Other external expenses TWD 11,373 (2022: TWD 10,081)

Interest expenses to group entities TWD 14,031 (2022: TWD 16,128)

Payables to group entities TWD 561,433 (2022: TWD 487,603)

### 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:

Pandora A/S, Havneholmen 17-19, DK-1561 Copenhagen V, owns 100% of the shares in Pandora Jewelry Taiwan A/S.

Pandora Jewelry Taiwan A/S is included in the Group Annual Report of Pandora A/S. The Group Annual Report of Pandora A/S can be obtained in the following link:  
<https://pandoragroup.com/investor/news-and-reports/annual-reports>.

# Notes to the Financial Statements

## 16. Accounting policies

The Annual Report of Pandora Jewelry Taiwan A/S for 2023 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 apart from reclassification of Other provision, which is disclosed under Provisions.

The financial statements for 2023 are presented in thousands New Taiwan Dollar (TTWD).

### 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 Pandora A/S, the Company has not prepared a cash flow statement.

### 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.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

The financial statements are presented in New Taiwan Dollar (TWD), which is the functional currency of the Company. The Company's only activity is to sell Pandora jewellery through stores in Taiwan. The choice of functional currency is determined by the fact that all revenue and all significant costs relating to the branch as well as the financing are all denominated in TWD.

The exchange rate TWD/DKK as of 31 December 2023 stated at 0.23 (0.23 as of 31 December 2022). The average exchange rate TWD/DKK for the year 2023 is 0.24 (0.23 for the year 2022).

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## Income statement

### Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition. 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.

A refund liability is recognised for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Please refer to provision section for details.

### Expenses for raw materials and consumables

Cost of sales comprise the goods consumed to achieve the revenue for the year.

### Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses net of refunds made by public authorities.

### Amortisation, depreciation and impairment losses

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

### 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 on profit/loss for the year consists of current tax for the year, changes in deferred tax for the year and corrections to prior year's tax. The tax attributable to the profit/loss for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Current tax are computed on the basis of the pretax profit/loss for the year adjusted for non-taxable income expenditure. Taxes paid on account are offset against taxes payable at year end.

The Company is jointly taxed with the parent company and its Danish subsidiaries. Danish corporation taxes are fully allocated among the jointly taxed companies on the basis of the companies' taxable income (full allocation with reimbursement of tax losses).

# Notes to the Financial Statements

## Balance sheet

### Intangible fixed assets

#### *Goodwill*

Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets and liabilities acquired. Goodwill comprises future growth expectations, buyer-specific synergies, the workforce in place and know-how. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation. Goodwill is amortised over its useful life, which is assessed at 10 years starting 2019.

#### *Other intangible fixed assets*

Other intangible assets consist of key money and software. Other intangible assets are measured at cost less accumulated amortisation. Other intangible assets are amortised over a straight-line basis over its useful life, which is assessed at 5 years starting 2019.

### Property, plant and equipment

Property, plant and equipment consists of other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation based on cost reduced by any residual value is calculated over a straight-line basis over the expected useful lives of the assets, which is 5 years.

### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flow from the disposal of the asset or the group of assets after the end of the useful life.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods sold for resale equals landed costs as well as other costs directly attribute to the acquisition.

### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables. Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

# Notes to the Financial Statements

## Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions, interest etc. Prepayments are measured at cost.

## Equity

Dividend distribution proposed by Management for the year is disclosed as a separate equity item

## Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions comprise primarily of return provisions and restoration costs for relocation of leases.

The Company recognises a refund and warranty liability related to return rights provided to customers. The return provision for estimated sales returns is recognised when there is a historical experience or when a reasonable accurate estimate of expected future returns can otherwise be made. Refund liability to cover warranty claims is based on expected replacements provided for products still covered by warranty at the end of the period.

## Deferred tax assets and liabilities

The current tax payable and receivable is recognised in the balance sheet as tax calculated on the year's taxable income, adjusted for prior year's taxable income and prepaid taxes.

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, including the tax base of tax losses carry-forwards, 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 be applied as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

## 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.

## Financial liabilities

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

## Other payables

Other payables are measured at net reliable value.