Airshoppen Travel Retail A/S

Handlingsvej Øst 7, DK-2791 Dragør

Annual Report for
1 October 2022 - 30 September 2023

CVR No. 41 39 14 21

The Annual Report was presented and adopted at the Annual General Meeting of the company on 26/3 2024

Per Knudsen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Airshoppen Travel Retail A/S for the financial year 1 October 2022 - 30 September 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 30 September 2023 of the Company and of the results of the Company operations for 2022/23.

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.

Dragør, 26 March 2024

Executive Board

Lars Bording
Executive Officer

Board of Directors

Lars Magnus Wikner Chairman	Per Stefan Lincoln	Per Knudsen

Johnnie Schmidt

Independent Auditor's report

To the shareholder of Airshoppen Travel Retail A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2023 and of the results of the Company´s operations for the financial year 1 October 2022 - 30 September 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Airshoppen Travel Retail A/S for the financial year 1 October 2022 - 30 September 2023, 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’ 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.

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.

Independent Auditor's report

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.

- 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, 26 March 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen	Alexander Oliver Duschek
State Authorised Public Accountant	State Authorised Public Accountant
mne28703	mne47774

Company information

The Company	Airshoppen Travel Retail A/S Handlingsvej Øst 7 DK-2791 Dragør
	CVR No: 41 39 14 21 Financial period: 1 October 2022 - 30 September 2023 Incorporated: 28 May 2020 Financial year: 3rd financial year Municipality of reg. office: Tårnby
Board of Directors	Lars Magnus Wikner, chairman Per Stefan Lincoln Per Knudsen Johnnie Schmidt
Executive Board	Lars Bording
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Management's review

Key activities

The Company operates in the aviation industry with a focus on travel retail for air travelers. The Company sells alcoholic and non-alcoholic beverages, perfumes, cosmetics, skin care, sunglasses, toys, jewelry, confectionery, and gadgets, etc.

Ownership

The Company is part of the Nordic Leisure Travel Group ("NLTG"), in which NLTG Holdco AB is the ultimate and consolidating parent company within the group (corp. No. 559222-2789). NLTG is owned by a consortium consisting of Strawberry Equities AS, Altor Fund V AB and TDR Capital Nominees Ltd.

Development in the year

This annual report comprises the third financial year covering the period 1 October 2022 – 30 September 2023.

The demand for holiday travel has returned to normal levels following the Covid-19 pandemic and the Groups Tour Operators and Travel Retail have experienced strong sales. The Groups tour operators report a percentage increase in number of passengers of 22% and a total increase in turnover with 45% compared to 2021/22 and where the Company reports an annual turnover of DKK 346 million which is an increase in turnover of 34% compared to the 2021/22. The Groups own hotel and flight operations also show a high occupancy rate with, among other things, an average load factor on our own flights of 98%.

The strong sales the Company (and the Group) has displayed during the financial year is partly based on the travel market recovering, and we continue to see more and more people discover the benefits that come with traveling with a safe package tour operator and especially with a market-leading brands such as Spies and Ving where both internal and external surveys continue to confirm a high customer satisfaction.

Just as in 2021/22 the financial year was partially impacted by issues in the supply chain and the current global economic environment with increased costs, high inflation and fluctuating currencies which have affected the Group and the Company's margins.

As a result of above, the Company reports a profit of DKK 5 million (2021/22: Loss of DKK 17 million). The outcome is not entirely satisfactory but corresponds with what could be expected given the circumstances.

As of 30 September 2023, the Company shows an equity of DKK 6 million (2021/22: 4 million).

Capital resources

Refer to note 1 in the Financial Statements.

Expectations for the year ahead

The Group's and the Company's short-term earning power is of course affected by customers' demand for holiday travel, which is affected by a number of external factors. Rising interest rates, high energy prices and high inflation affect customers' financial ability, which may affect demand. For several of our customers, the private finances will continue to be characterized by high living costs in the coming year due to high interest rates, high energy costs and high inflation, but external surveys show that despite increased living costs for the individual customer, travel is prioritized over other consumption. The booking situation for the coming year has so far followed historical patterns and is developing as expected, which confirms the market's return to a normal situation.

However, these external factors give some uncertainty about the results for the coming year, but management is fully focused on optimizing volumes, inventory and product mix, use measures to drive sales and implement various initiatives in the area of cost control, which includes activities such as marketing campaigns, monitoring the development of direct costs, currency and fuel prices.

The Company has during the last couple of years developed a new web-shop which is expected to improve the customer experience significantly, enhance the ability to promote products and brands, and as a result improve customer conversion, retention and average sales. The launch of the new web-shop was scheduled for the spring 2023 but is postponed to winter 2024 which means we should see an impact in sales during the first half of financial year 2024/25.

With the implementation of the new and improved web-shop and an accumulated demand for holiday travel Management is optimistic and confident that operations will improve significantly from the last financial year, and even though increased direct costs due to the macro-economic climate creates some uncertainty, the Company expect to report a positive result going forward, which is expected to be significantly higher than the profit for 2022/23.

Material risks and uncertainties

In general, the travel industry is characterized by sensitivity to possible external events such as customers' travel patterns as a result of war and terrorist incidents, epidemics, natural disasters and the economic development in the customers' private finances in general.

Other general uncertainties that impact the travel industry are the price of aviation fuel, potential labour conflicts and potential surplus capacity in the Nordic travel market. These uncertainties are not specific to the Group; they apply throughout the industry and impact the price level of travel in general.

When it comes to customer safety, no risks are taken, and the Group always follows the Ministry of Foreign Affairs' (Udenrigsministeriets) travel guidelines. Thanks to our long experience and flexible organization, we have the ability to react quickly to any changes in the operating environment.

Disease outbreaks and pandemics caused by COVID-19 and its impact on the travel industry are an example of a significant risk for the company. The expectation is that COVID-19 will not have any impact on the business in the coming financial year.

Uncertainty relating to recognition and measurement

Refer to note 2 in the Financial Statements.

Unusual events

Nothing to report.

Subsequent events

Refer to note 17 in the Financial Statements.

Income statement 1 October 2022 - 30 September 2023

	Note	2022/23	2021/22
		DKK	DKK
Gross profit		**49,585,304**	**14,272,147**
Staff expenses	3	-33,201,922	-28,943,304
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	4	-4,504,605	-3,571,889
Profit/loss before financial income and expenses		**11,878,777**	**-18,243,046**
Financial income		933,720	78,809
Financial expenses	5	-4,302,523	-2,359,263
Profit/loss before tax		**8,509,974**	**-20,523,500**
Tax on profit/loss for the year	6	-3,577,191	3,915,080
Net profit/loss for the year	7	**4,932,783**	**-16,608,420**

Balance sheet 30 September 2023

Assets

	Note	2022/23	2021/22
		DKK	DKK
Acquired licenses		6,616,250	4,574,551
Goodwill		5,383,024	6,607,024
Development projects in progress		21,362,994	10,847,816
Intangible assets	8	**33,362,268**	**22,029,391**
Other fixtures and fittings, tools and equipment		1,781,093	3,080,055
Property, plant and equipment	9	**1,781,093**	**3,080,055**
Deposits	10	2,328,535	2,440,998
Fixed asset investments		**2,328,535**	**2,440,998**
Fixed assets		**37,471,896**	**27,550,444**
Finished goods and goods for resale		55,406,347	48,841,849
Prepayments for goods		7,503,360	0
Inventories		**62,909,707**	**48,841,849**
Trade receivables		5,831,195	2,362,081
Receivables from group enterprises	11	17,028,712	8,338,420
Other receivables		857,580	2,566,369
Prepayments	13	5,873,655	17,828,338
Receivables		**29,591,142**	**31,095,208**
Cash at bank and in hand		**230,139**	**165,583**
Current assets		**92,730,988**	**80,102,640**
Assets		**130,202,884**	**107,653,084**

Balance sheet 30 September 2023

Liabilities and equity

	Note	2022/23	2021/22
		DKK	DKK
Share capital		1,000,000	1,000,000
Reserve for development costs		21,362,994	10,847,817
Reserve for hedging transactions		-1,039,792	1,755,133
Retained earnings		-14,963,667	-9,381,273
Equity		**6,359,535**	**4,221,677**
Trade payables		33,512,126	24,477,321
Payables to group enterprises	14	83,859,372	72,393,637
Other payables		6,342,091	6,271,158
Deferred income		129,760	289,291
Short-term debt		**123,843,349**	**103,431,407**
Debt		**123,843,349**	**103,431,407**
Liabilities and equity		**130,202,884**	**107,653,084**

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Statement of changes in equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 October	1,000,000	10,847,817	1,755,133	-9,381,273	4,221,677
Fair value adjustment of hedging instruments, end of year	0	0	-2,794,925	0	-2,794,925
Development costs for the year	0	10,515,177	0	-10,515,177	0
Net profit/loss for the year	0	0	0	4,932,783	4,932,783
Equity at 30 September	**1,000,000**	**21,362,994**	**-1,039,792**	**-14,963,667**	**6,359,535**

Notes to the Financial Statements

1. Capital resources

Due to the Company's capital and liquidity conditions, the Company is dependent on continued liquidity from Group companies, including NLTG HoldCo AB. Equity as per 30 September 2023 is positive by DKK 6 million including a profit after tax for the financial year of DKK 5 million.

The Company has therefore received a letter of support from NLTG Holdco AB, stating that NLTG Holdco AB will support the Company to the extent necessary for the financial year 2023/24 and until 31 December 2024.

The operating activities and cash flows of the NLTG Group have developed satisfactorily in the preceding financial year and at the end of the financial year, the Group net debt was SEK 1,140 million (2021/22: SEK 658 million) with a cash headroom above SEK 2,163 million (2021/22: SEK 2,401 million).

The NLTG Group has obtained an extension of their loan facilities with DNB and Vækstfonden until 2026.

During the financial year 2022/23, the existing owners contributed new capital to NLTG Group to meet agreed financial contracts. As was already included in the 2021/22 Annual Report, a contribution of SEK 38 million was made in January 2023 by way of a new share issue and, in addition to this, the shareholders strengthened the equity by converting shareholder loans to equity of SEK 266 million. In parallel, the shareholders issued a capital commitment that guarantees consolidated equity of at least SEK 250 million, which after exercise, resulted in equity of SEK 253 million on the balance sheet date. The shareholders' capital commitment resulted in a transaction of SEK 260 million, which was completed in December 2023.

The Group's short-term earning power is of course affected by customers' demand for holiday travel, which is affected by a number of external factors. Rising interest rates, high energy prices and high inflation affect customers' financial ability, which may affect demand in the future.

The booking scenario for the coming years is in line with historical patterns and expectations, with sustained margins.

The NLTG Group has financial covenants for earnings, liquidity and capital agreed with banks and financiers, which are measured at the end of the financial year. The NLTG Group has sufficient liquidity and financing facilities to be able to implement the plans for the financial year 2023/24 and there is also an extended capital commitment from existing shareholders that can be triggered if necessary.

Based hereon, it is the assessment of the Board of Directors and Executive Board that the Company has sufficient capital resources to continue its operations. Management therefore submits the Annual Report on the assumption of going concern.

Notes to the Financial Statements

2. Uncertainty relating to recognition and measurement

The preparation of the Financial Statements requires Management to make estimates and judgements. These are the basis for recognition and measurement of the Company's income, expenses, assets and liabilities.

The applied estimates are based on historical data and other factors that Management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

Further, the Company is subject to risks and uncertainties which can lead to the actual outcome differentiating from these estimates. This means that an estimate can be subject to significant uncertainty.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events that affects the current as well as future periods.

Because of the market conditions within the business area of the Company, Management has, when presenting the Financial Statements, made substantial estimates especially when performing:
- Impairment test of assets
- Measurement of deferred tax assets
- Valuation of intangible assets

As described in Management's review, profit is expected in the current financial year, which is based on a recurring demand for holiday travel.

	2022/23	2021/22
	DKK	DKK
3. Staff Expenses		
Wages and salaries	27,044,526	23,522,572
Pensions	2,341,038	2,142,175
Other social security expenses	3,580,018	3,151,423
Other staff expenses	236,340	127,134
	33,201,922	**28,943,304**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	**70**	**68**

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK

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

Amortisation of intangible assets	2,651,951	1,523,765
Depreciation of property, plant and equipment	1,549,097	2,048,124
Gain and loss on disposal	303,557	0
	4,504,605	**3,571,889**

	2022/23	2021/22
	DKK	DKK

5. Financial expenses

Interest paid to group enterprises	2,110,711	2,095,077
Other financial expenses	2,191,812	264,186
	4,302,523	**2,359,263**

	2022/23	2021/22
	DKK	DKK

6. Income tax expense

Current tax for the year	0	-3,646,338
Adjustment of tax concerning previous years	3,577,191	-268,742
	3,577,191	**-3,915,080**

	2022/23	2021/22
	DKK	DKK

7. Profit allocation

Retained earnings	4,932,783	-16,608,420
	4,932,783	**-16,608,420**

Notes to the Financial Statements

8. Intangible fixed assets

	Acquired licenses	Goodwill	Develop-ment projects in progress
	DKK	DKK	DKK
Cost at 1 October	5,230,280	8,542,935	10,847,816
Additions for the year	3,469,650	0	10,515,178
Cost at 30 September	8,699,930	8,542,935	21,362,994
Impairment losses and amortisation at 1 October	655,729	1,935,911	0
Amortisation for the year	1,427,951	1,224,000	0
Impairment losses and amortisation at 30 September	2,083,680	3,159,911	0
Carrying amount at 30 September	**6,616,250**	**5,383,024**	**21,362,994**

The development projects relates to the development of a new improved version of the software used in the Company's E-commerce platform.

9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 October	6,215,260
Additions for the year	553,692
Disposals for the year	-455,333
Cost at 30 September	6,313,619
Impairment losses and depreciation at 1 October	3,135,205
Depreciation for the year	1,549,097
Reversal of impairment and depreciation of sold assets	-151,776
Impairment losses and depreciation at 30 September	4,532,526
Carrying amount at 30 September	**1,781,093**

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits
	DKK
Cost at 1 October	2,440,998
Exchange adjustment	-112,463
Cost at 30 September	2,328,535
Carrying amount at 30 September	**2,328,535**

	2022/23	2021/22
	DKK	DKK

11. Receivables from group enterprises

Receivables from group enterprises	17,028,712	8,338,420
	17,028,712	**8,338,420**

12. Derivative financial instruments

The Company hedges expected currency risks relating to sales of goods and purchases of goods with forward exchange contracts. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK 1,039,792 (liability).

Hedged SEK amount 39,244,250
Hedged NOK amount 32,672,615
Hedged EUR amount 650,000

The sales and purchases of goods has been hedged for a period of up to 6 months.

13. Prepayments

Prepayments consist of prepaid expenses concerning marketing costs, licences etc. totaling DKK 5,9 million.

	2022/23	2021/22
	DKK	DKK

14. Payables to group enterprises

Payables to group enterprises	49,898,634	49,850,248
Group cash pool	33,960,738	22,543,389
	83,859,372	**72,393,637**

	2022/23	2021/22
	DKK	DKK

15. Contingent assets, liabilities and other financial obligations

Contingent assets

The Company has unrecognised deferred tax assets from tax loss carry-forwards with a tax value of DKK 4,7 million.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	5,379,092	5,211,390
Between 1 and 5 years	19,314,208	19,373,245
After 5 years	7,110,690	11,495,151
	31,803,990	**36,079,786**

Other contingent liabilities

In order for the Company to become registered for import of wine, spirits and tobacco the Company has provided security in the form of a bank guarantee of SEK 3,5 mio. (DKK 2,3 mio.)

The Company participates in a Danish joint taxation arrangement where Nordic Leisure Travel Group Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements

16. Related parties and disclosure of consolidated financial statements

Consolidated Financial Statements

Name and registered office of the parent preparing consolidated financial statements for the smallest group:

Name	Place of registered office
NLTG HoldCo AB	Rålambsvägen 17, SE-112 59 Stockholm, Sweden

The Group Annual Report of NLTG HoldCo AB may be obtained at the above mentioned address.

Notes to the Financial Statements

17. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

18. Accounting policies

The Annual Report of Airshoppen Travel Retail A/S for 2022/23 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 2022/23 are presented in DKK.

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 NLTG AB, 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.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Business acquisitions

Acquisitions are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Translation policies

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.

Notes to the Financial Statements

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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.

Cost of goods sold

Cost of goods sold comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for distribution, logistics, premises, marketing costs, IT-costs and corporate costs. This item also includes writedowns of receivables recognized in current assets.

Gross profit

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

Staff expenses

Staff expenses comprise salaries and wages, and social security contributions, pension contributions, etc. for staff.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale 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 for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, 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 all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intangible fixed assets

Goodwill

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 7 years.

Development projects

Intangible assets include development of software. Development projects that are clearly defined and identifiable, where the technical feasibility of completion, availability of adequate resources to complete, existence of potential future market can be demonstrated, and where Management has the intent to manufacture, market or apply the product or process in question are recognised as intangible assets.

Other development costs are recognised as costs in the income statement as incurred. The costs of development projects comprise all directly attributable costs including wages, salaries, costs to external consultants, rent, materials and services and other costs. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful lives of the assets to their estimated residual value if any.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Software is amortised on a straight-line basis over its useful life, which is assessed at 3 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:

Other fixtures and fittings, tools and equipment	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

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.

Other fixed asset investments

Fixed asset investments consist of deposits.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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.

Equity

Dividend

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

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.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other 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.