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# ***B.S. Danmark A/S***

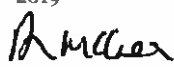
Østergade 33, 3, DK-1100 København K

## **Annual Report for 1 January - 31 December 2018**

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CVR No 58 46 68 16

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
13/6 / 2019



Chairman

Andrew Liam McCrea

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of B.S. Danmark A/S for the financial year 1 January - 31 December 2018.

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

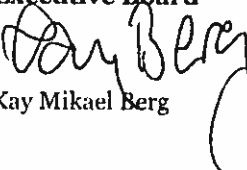
In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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, 13.06.2019

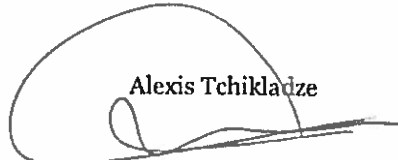
### Executive Board

  
Kay Mikael Berg

### Board of Directors

  
Andrew Liam McCrea  
Chairman

  
Kay Mikael Berg

  
Alexis Tchikladze

# Independent Auditor's Report

To the Shareholder of B.S. Danmark A/S

## Opinion

We have audited the Financial Statements of B.S. Danmark A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IFSB Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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.

## **Independent Auditor's Report**

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.

### **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.

## **Independent Auditor's Report**

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

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

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

Copenhagen, 13.06.2019

**KPMG P/S**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*



Klaus Rytz

State Authorised Public Accountant

mne33205

## **Company Information**

### **The Company**

B.S. Danmark A/S  
Østergade 33, 3  
DK-1100 København K

Telephone: + 45 +45 70 25 22 26

Facsimile: + 45 +45 33 11 45 53

Website: [www.thebodyshop.dk](http://www.thebodyshop.dk)

CVR No: 58 46 68 16

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

### **Board of Directors**

Andrew Liam McCrea, Chairman  
Kay Mikael Berg  
Alexis Tchikladze

### **Executive Board**

Kay Mikael Berg

### **Auditors**

KPMG P/S  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
DK-2100 København Ø

## Financial Highlights

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

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	28.942	40.580	55.275	45.471	45.481
Profit/loss before financial income and expenses	-70	477	1.025	1.467	1.214
Net financials	-69	-26	-16	-47	-136
Net profit/loss for the year	411	347	784	456	785
<b>Balance sheet</b>					
Balance sheet total	41.943	63.165	61.640	59.237	54.583
Equity	19.942	19.532	19.185	18.438	17.982
Investment in property, plant and equipment	0	1.183	1.989	4.497	1.963
Number of employees	74	105	115	106	226
<b>Ratios</b>					
Return on assets	-0,2%	0,8%	1,7%	2,5%	2,2%
Solvency ratio	47,5%	30,9%	31,1%	31,1%	32,9%
Return on equity	2,1%	1,8%	4,2%	2,5%	4,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



## **Management's Review**

### **Key activities**

The Body Shop Danmark A/S sell and market products for skin, hair and body care as well as cosmetics.

Sales take place through 3 channels: company stores, franchise stores and e-commerce. The company's head office is situated in Copenhagen.

100 % of all purchases for resale are made through the mother company in Great Britain.

### **Development in the year**

The income statement of the Company for 2018 shows a profit of DKK 410,712, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 19,942,420.

### **The past year and follow-up on development expectations from last year**

In 2018, B.S. Danmark saw an increase in organic retail sales by + 4,9%, and a decrease in total retail sales by -12,5%, due to closures of 12 stores.

### **Special risks - operating risks and financial risks**

#### ***Operating risks***

The Company adopts the Group's internal control framework which aims to prevent and manage risk, particularly those of an economic, financial and legal nature to which the Group may be exposed, even though no absolute guarantee of a total absence of risk can ever be provided. The major risks considered during the year were:

#### ***Image and reputation***

The Group's reputation and brand image may be compromised at any time in a globalised world where the report of an incident is conveyed from one continent to the next at the speed of the internet. The Body Shop International Limited has implemented crisis management procedures to prevent, manage and limit the consequences of undesirable events on the Company.

#### ***Product quality and safety***

Consumer safety is an absolute priority. The Group evaluates the safety of raw materials and finished products. The Group is vigilant with regard to any new scientific data and complies with consumer product regulations.

#### ***Information systems and cyber risk***

The risk of a malfunction, hacking or breakdown in our internal information systems for external or internal reasons cannot be ignored. In order to minimise the impact that this type of occurrence could have, we have strict rules with regard to data backups, cyber-crime, protection access and security to both computer hardware and software applications.

## **Management's Review**

### ***Intellectual property***

The Group has a portfolio of trademarks; these are strategic assets. Trademarks and the products themselves may be infringed or counterfeited by parties wishing to illegally benefit from their reputation and goodwill. The Group's legal department is entrusted with the protection of these assets.

### ***Market and economic uncertainties***

An unforeseen deterioration in the economic climate may affect the Group's results, particularly with uncertainty around government policy and Brexit. External economic factors have been incorporated into the business plan.

### ***Competition***

The Group is subject to constant pressure from local and international competitors. This competition is healthy; it leads our teams to always focus on innovation to serve the interests of consumers and our brand.

### ***Liquidity risk***

The Group operates a prudent approach to cash flow and operates within the parameters of its loan facility.

### ***Currency risks***

The fluctuation of main currencies may have an impact on the Company's results. In order to limit currency risk, the Group adopts a conservative approach of hedging before the year-end a significant portion of annual requirements for the following year, through forward purchases or sales contracts or through options. Requirements are established for the following year on the basis of the operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress.

### ***Credit risks***

These may result from non-collection of receivables due to cash problems encountered by customers. The amount considered as posing a risk of non-collection has been provided for.

### **Targets and expectations for the year ahead**

B.S. Danmark will in 2019 aim to sustain the strong organic sales from 2018 and will continue to focus to increase profitability within its store portfolio. A continued growth in the e-commerce channel is expected.

## **Management's Review**

### **Social responsibility**

The Body Shop is a value driven company, founded on 5 core Values: Against Animal Testing, Support Community Fair Trade, Defend Human Rights, Activate Self Esteem and Protect Our Planet.

In 2016 The Body Shop updated its core values to a new Commitment - Enrich Not Exploit, it's in our hands. This captures what it stands for and the goal it has set — to become the world's most ethical brand.

The values are at the centre of everything The Body Shop does and the company invites its employees and customers to take part in different campaigns during the year.

In 2018 The Body Shop successfully completed a worldwide campaign for a global ban on animal testing in the Cosmetic industry (Forever Against Animal Testing) and presented more than 8M signatures to the UN headquarters in New York, signatures that had been gathered through our stores and websites.

### **Subsequent events**

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

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
<b>Gross profit/loss</b>		<b>28.941.974</b>	<b>40.579.789</b>
Staff expenses	1	-28.580.409	-37.861.436
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-431.175	-1.352.167
Other operating expenses		<u>0</u>	<u>-888.972</u>
<b>Profit/loss before financial income and expenses</b>		<b>-69.610</b>	<b>477.214</b>
Financial expenses	2	<u>-68.652</u>	<u>-25.752</u>
<b>Profit/loss before tax</b>		<b>-138.262</b>	<b>451.462</b>
Tax on profit/loss for the year	3	<u>548.974</u>	<u>-104.518</u>
<b>Net profit/loss for the year</b>		<u><b>410.712</b></u>	<u><b>346.944</b></u>

## Balance Sheet 31 December

### Assets

	Note	2018 DKK	2017 DKK
Software		1.471	3.076
Renting rights		40	0
Goodwill		66.724	1.126.971
<b>Intangible assets</b>	<b>4</b>	<b>68.235</b>	<b>1.130.047</b>
Other fixtures and fittings, tools and equipment		794.251	94.671
Leasehold improvements		116.292	185.234
<b>Property, plant and equipment</b>	<b>5</b>	<b>910.543</b>	<b>279.905</b>
Deposits		3.213.054	5.209.553
<b>Fixed asset investments</b>	<b>6</b>	<b>3.213.054</b>	<b>5.209.553</b>
<b>Fixed assets</b>		<b>4.191.832</b>	<b>6.619.505</b>
<b>Inventories</b>		<b>2.638.996</b>	<b>6.278.790</b>
Trade receivables		3.211.296	3.586.084
Receivables from group enterprises		14.522.656	26.861.960
Other receivables		1.545.229	2.973.518
Deferred tax asset	7	1.198.230	1.646.938
Prepayments	8	2.226.661	2.312.310
<b>Receivables</b>		<b>22.704.072</b>	<b>37.380.810</b>
<b>Cash at bank and in hand</b>		<b>12.407.765</b>	<b>12.885.857</b>
<b>Currents assets</b>		<b>37.750.833</b>	<b>56.545.457</b>
<b>Assets</b>		<b>41.942.665</b>	<b>63.164.962</b>

## Balance Sheet 31 December

### Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		523.000	523.000
Retained earnings		19.419.420	19.008.708
<b>Equity</b>	<b>9</b>	<b>19.942.420</b>	<b>19.531.708</b>
Other provisions	11	133.119	190.491
<b>Provisions</b>		<b>133.119</b>	<b>190.491</b>
Trade payables		3.515.592	3.721.526
Payables to group enterprises		2.747.452	20.588.879
Corporation tax		0	481.844
Other payables		11.000.244	13.698.649
Deferred income	12	4.603.838	4.951.865
<b>Short-term debt</b>		<b>21.867.126</b>	<b>43.442.763</b>
<b>Debt</b>		<b>21.867.126</b>	<b>43.442.763</b>
<b>Liabilities and equity</b>		<b>41.942.665</b>	<b>63.164.962</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

## Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January 2018	523.000	19.008.708	19.531.708
Net profit/loss for the year	0	410.712	410.712
<b>Equity at 31 December 2018</b>	<b>523.000</b>	<b>19.419.420</b>	<b>19.942.420</b>

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>1 Staff expenses</b>		
Wages and salaries	27.761.123	35.754.797
Pensions	911.654	1.627.568
Other social security expenses	562.622	477.059
Other staff expenses	-654.990	2.012
	<u>28.580.409</u>	<u>37.861.436</u>
Average number of employees	<u>74</u>	<u>105</u>

Staff costs does not include remuneration of the Company's Executive Board, and Company's Board of Directors, as they are not remunerated by the Company. Board members are remunerated by other group company and costs are reimbursed as a part of Transfer pricing adjustment.

### 2 Financial expenses

Interest paid to group enterprises	26.196	1.803
Other financial expenses	42.456	23.949
	<u>68.652</u>	<u>25.752</u>

### 3 Tax on profit/loss for the year

Current tax for the year	0	323.037
Deferred tax for the year	448.708	-218.519
Adjustment of tax concerning previous years	-997.682	0
	<u>-548.974</u>	<u>104.518</u>

### 4 Intangible assets

	Software DKK	Renting rights DKK	Goodwill DKK
Cost at 1 January 2018	43.757	8.591.948	6.182.138
Disposals for the year	0	-2.770.000	0
Cost at 31 December 2018	<u>43.757</u>	<u>5.821.948</u>	<u>6.182.138</u>



## Notes to the Financial Statements

### 4 Intangible assets (continued)

	Software DKK	Renting rights DKK	Goodwill DKK
Impairment losses and amortisation at 1 January 2018	40.681	8.591.948	5.055.167
Impairment losses for the year	0	-561.469	941.666
Amortisation for the year	1.605	561.429	118.581
Impairment and amortisation of sold assets for the year	0	-2.770.000	0
Impairment losses and amortisation at 31 December 2018	<u>42.286</u>	<u>5.821.908</u>	<u>6.115.414</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>1.471</u></b>	<b><u>40</u></b>	<b><u>66.724</u></b>

### 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January 2018	2.422.197	20.975.070
Disposals for the year	-7.365.103	-527.688
Transfers for the year	19.789.040	-19.789.040
Cost at 31 December 2018	<u>14.846.134</u>	<u>658.342</u>
Impairment losses and depreciation at 1 January 2018	2.327.526	20.789.836
Reversal of impairment and depreciation of sold assets	-7.365.103	-527.688
Reversal for the year of previous years' impairment losses	-629.228	-1.410
Transfers for the year	19.718.688	-19.718.688
Impairment losses and depreciation at 31 December 2018	<u>14.051.883</u>	<u>542.050</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>794.251</u></b>	<b><u>116.292</u></b>

### 6 Fixed asset investments

	Deposits DKK
Cost at 1 January 2018	5.209.553
Disposals for the year	-1.996.499
Cost at 31 December 2018	<u>3.213.054</u>
<b>Carrying amount at 31 December 2018</b>	<b><u>3.213.054</u></b>

## Notes to the Financial Statements

	<u>2018</u> DKK	<u>2017</u> DKK
<b>7 Deferred tax asset</b>		
Deferred tax asset at 1 January 2018	1.646.938	1.428.419
Amounts recognised in the income statement for the year	<u>-448.708</u>	<u>218.519</u>
<b>Deferred tax asset at 31 December 2018</b>	<u><b>1.198.230</b></u>	<u><b>1.646.938</b></u>

### **8 Prepayments**

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

### **9 Equity**

The share capital consists of 52,300 shares of a nominal value of DKK 10. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

### **10 Distribution of profit**

Retained earnings	<u>410.712</u>	<u>346.944</u>
	<u><b>410.712</b></u>	<u><b>346.944</b></u>

### **11 Other provisions**

Other provisions consists of provision for customer returns.

Other provisions	<u>133.119</u>	<u>190.491</u>
	<u><b>133.119</b></u>	<u><b>190.491</b></u>

### **12 Deferred income**

Deferred income consist of accrued value for points earned under the Loyal to Your Body Club membership.

## Notes to the Financial Statements

	<u>2018</u> DKK	<u>2017</u> DKK
<b>13 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Rental and lease obligations under operating leases. Total future lease payments		
Within 1 year	9.853	9.943
Between 1 and 5 years	21.472	12.898
After 5 years	<u>230</u>	<u>0</u>
	<u><b>31.555</b></u>	<u><b>22.841</b></u>

### Other contingent liabilities

The Body Shop International Group operates in a wide variety of jurisdictions, in some of which the tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to The Body Shop International Group's activities. Whilst the Body Shop International Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations.

# Notes to the Financial Statements

## 14 Related parties

### Basis

#### Controlling interest

The Body Shop International Limited, United Kingdom	Parent Company
Natura Cosméticos S.A., Brazil	Ultimate Parent Company

#### Transactions

All transactions with the parent company have been effected at arm's length.

#### Consolidated Financial Statements

The company is included in the group annual report of the parent company and the ultimate parent company.

<u>Name</u>	<u>Place of registered office</u>
Natura Cosméticos S.A.	São Paulo, Brazil
The Body Shop International Limited	West Sussex, United Kingdom

The Group Annual Report of The Body Shop International Limited may be obtained at the following address:

Watersmead  
Littlehampton  
BN17 6LS West Sussex  
United Kingdom

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of B.S. Danmark A/S for 2018 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 2018 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 The Body Shop International Limited, 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

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.

## Notes to the Financial Statements

### 15 Accounting Policies (continued)

## Income Statement

### Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue provided that delivery and transfer of risk to the buyer have taken place. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of goods

Cost of goods includes the materials and consumables used in generating the year's revenue.

### Other external expenses

Other external expenses comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### Staff expenses

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

### Amortisation, depreciation and impairment losses

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

### 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.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise of interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the on-account tax scheme.

## Notes to the Financial Statements

### 15 Accounting Policies (continued)

#### Tax on profit/loss for the year

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

## Balance Sheet

#### Intangible assets

Intangible assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is allocated on a straight-line basis over the expected useful life of the asset.

Expected useful lives are calculated as follows:

Software	3-5 years
Renting rights	3-5 years
Goodwill	20 years

The expected useful life of goodwill is based on Management's experience and concluded agreements.

Due to the fact that renting rights is not reduced over time, the measurement will be based on cost less any accumulated impairment losses.

The carrying amount of goodwill is assessed on an ongoing basis and is written down in the income statement when the carrying amount exceeds estimated future income from the activity to which the goodwill relates.

#### Property, plant and equipment

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

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

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

## Notes to the Financial Statements

### 15 Accounting Policies (continued)

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Gains or losses from the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the time of the sale. Gains or losses are recognised in the income statement as other operating income or other operating expenses.

Leased property, plant and equipment that meet the criteria for finance leases are presented in the financial statements in the same way as owned assets.

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	5-10	years
Leasehold improvements	4-7	years

Depreciation period and residual value are reassessed annually.

#### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

#### Fixed asset investments

Fixed asset investments consist of rent deposits measured at cost.



## Notes to the Financial Statements

### 15 Accounting Policies (continued)

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial year.

## Notes to the Financial Statements

### 15 Accounting Policies (continued)

#### Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax value may be made according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Changes in deferred tax due to changes in tax rates are recognised in the income statement. For the current year, the current tax rate is 22%.

#### 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.

#### Liabilities

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

#### Deferred income

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

## Notes to the Financial Statements

### 15 Accounting Policies (continued)

#### Financial Highlights

##### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$