Airshoppen Travel Retail A/S

Handlingsvej Øst 7
DK-2791 Dragør

Annual Report for 28 May 2020 - 30 September 2021

CVR No 41 39 14 21

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 4 /3 2022

Per Knudsen
Chairman of the General Meeting

Contents

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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 28 May 2020 - 30 September 2021.

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 2021 of the Company and of the results of the Company operations for 2020/21.

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, 4 March 2022

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 2021 and of the results of the Company's operations for the financial year 28 May 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Airshoppen Travel Retail A/S for the financial year 28 May 2020 - 30 September 2021, 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 Financials Statements Act.

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor’s Report

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 4 March 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Company Information

The Company	Airshoppen Travel Retail A/S Handlingsvej Øst 7 DK-2791 Dragør CVR No: 41 39 14 21 Financial period: 28 May - 30 September Incorporated: 28 May 2020 Financial year: 1st 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

The Company was founded on 28 May 2020, and this annual report comprises the first financial year covering the period 28 May 2020 – 30 September 2021.

As of 1 March 2021, Airshoppen Travel Retail A/S acquired all the travel retail activities from the parent company Sunclass Airlines ApS. The transfer comprised all rights, obligations, assets and liabilities related to the travel retail business, hereunder employees. The net assets include intangibles assets, such as software, a development project in progress related to the Company's E-commerce platform, inventory, receivables, and liabilities, as well as succeeding in the lease agreements.

The transaction related to the transfer of the net assets was conducted on an arms-length-basis and resulted in a goodwill of DKK 8,5 million for the Company.

The Covid-19 outbreak have affected the business tremendously as the NLTG Group has not been able to carry out its business as normal due to travel restrictions from the authorities in the Nordics, across Europe and the world in general.

After a difficult start of the financial year with lots of travel restrictions and a high spread of infection we began to see a glimpse of light during spring. When the vaccination of the population accelerated in the Nordics, Covid-19 restrictions in the Nordics were successively eased and the EU Covid Certificate was introduced, we experienced a very positive trend in the bookings and the demand for travel.

However, the first financial year was significantly impacted by a reduction in air travel activity due to the Covid-19 pandemic, which caused the Company to be unable to reach planned sales volumes. As a result, the Company suffered a loss of DKK 29 million. This outcome is not satisfactory but corresponds with what could be expected given the circumstances surrounding Covid-19.

To offset the loss of business and to support the Company through the pandemic the Company received a capital injection of DKK 48 million. As of 30 September 2021, the Company shows an equity of DKK 19 million.

Management's Review

Capital resources

Refer to note 1 in the Financial Statements.

Expectations for the year ahead

The Company's short-term development will naturally be impacted by the Covid-19 pandemic and the associated business environment factors. Our market research shows that post Covid-19, a top priority for people is to travel again and some even more than before the pandemic. The Company thus expects that there will be a large underlying accumulated demand for travel in the future which was proven during the summer of 2021 as bookings increased when restrictions was eased.

The more normalized demand for holiday travel experienced for the summer of 2021 continues at the start of the new financial year. New mutations of the Covid virus, such as Omikron and the implementation of new Covid restrictions in the Nordics and throughout the EU, have meant a reduced demand through the month of December and at the beginning of the new calendar year. This means that the winter of 2021/22 is characterized by lower sales and departing guests than for a normal winter period. However, as the Covid-19 restrictions in the Nordic countries and at travel destinations disappear, and the pandemic is now coming to an end, demand has picked up again quickly, which is why the Company and the NLTG Group expect almost normalized production for the summer of 2022.

With an accumulated demand for holiday travel and the NLTG Group having more than 90% of its production within the EU, Management is optimistic and confident that operations will improve significantly from the last financial year, and we expect to report a positive result for 2021/22.

Management’s Review

Material risks and uncertainties

The travel industry is generally sensitive to potential external events such as terrorist attacks, epidemics, natural disasters, and inclement weather. When it comes to the safety of our guests, we take no risks; instead, we follow the travel safety messages issued by government foreign offices. Thanks to our long experience and flexible organisation, we are able to react swiftly to potential changes in the business environment.

Outbreaks of illness and the pandemic caused by Covid-19 and its impact on the travel industry are examples of a material risk for companies that has materialised. The expectations are that when the vaccination programmes in the countries of origin of our travellers and in our destinations have been completed and the spread of infection decreases society’s travel habits will return to those that prevailed prior to the breakout of the Covid-19 pandemic.

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 NLTG Group; they apply throughout the industry and impact the price level of travel in general.

After the balance sheet date, the spread of Covid-19 has continued but since vaccination programmes are now up and running in the Nordic countries and at our destinations, we remain hopeful that operations will continue to grow and that we will be back to more normal volumes during summer 2022.

Uncertainty relating to recognition and measurement

Refer to note 2 in the Financial Statements.

Unusual events

The Company's assets, liabilities and financial position per 30 September 2021 and the result of the Company's activities for 2020/2021 have been materially affected by the Covid-19 pandemic, with a reduction in revenue as a result.

Subsequent events

Refer to note 3 in the Financial Statements.

Income Statement 28 May 2020 - 30 September 2021

	Note	2020/21
		DKK
Gross profit/loss		**-13.901.933**
Staff expenses	4	-12.832.225
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	-2.154.956
Profit/loss before financial income and expenses		**-28.889.114**
Financial income		40.099
Financial expenses		-476.021
Profit/loss before tax		**-29.325.036**
Tax on profit/loss for the year		0
Net profit/loss for the year		**-29.325.036**

Distribution of profit

Proposed distribution of profit

Retained earnings	-29.325.036
	-29.325.036

Balance Sheet 30 September 2021

Assets

	Note	2021
		DKK
Software		872.437
Goodwill		7.831.024
Development projects in progress		7.943.234
Intangible assets	6	**16.646.695**
Other fixtures and fittings, tools and equipment		3.670.866
Property, plant and equipment	7	**3.670.866**
Deposits		2.634.964
Fixed asset investments	8	**2.634.964**
Fixed assets		**22.952.525**
Inventories		**33.350.178**
Trade receivables		3.212.064
Other receivables		1.546.869
Prepayments		2.688.621
Receivables		**7.447.554**
Cash at bank and in hand		**18.095.261**
Currents assets		**58.892.993**
Assets		**81.845.518**

Balance Sheet 30 September 2021

Liabilities and equity

	Note	2021
		DKK
Share capital		1.000.000
Reserve for development costs		7.943.234
Retained earnings		10.131.730
Equity		**19.074.964**
Trade payables		5.443.246
Payables to group enterprises		48.038.758
Other payables		9.288.550
Short-term debt		**62.770.554**
Debt		**62.770.554**
Liabilities and equity		**81.845.518**
Capital resources	1	
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Statement of Changes in Equity

	Share capital	Unpaid share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at formation at 28 May 2020	400.000	-300.000	0	0	0	100.000
Cash capital increase	600.000	0	47.400.000	0	0	48.000.000
Payment of unpaid share capital	0	300.000	0	0	0	300.000
Development costs for the year	0	0	0	7.943.234	-7.943.234	0
Net profit/loss for the year	0	0	0	0	-29.325.036	-29.325.036
Transfer from share premium account	0	0	-47.400.000	0	47.400.000	0
Equity at 30 September 2021	**1.000.000**	**0**	**0**	**7.943.234**	**10.131.730**	**19.074.964**

Notes to the Financial Statements

1 Capital resources

Airshoppen Travel Retail A/S first financial year was significantly impacted by a reduction in air travel activity due to the Covid-19 pandemic, which caused the Company to be unable to reach its estimated sales volumes.

Due to the Company's capital and liquidity conditions, the Company is dependent on continued liquidity from group companies. The Company has received a letter of support from the Parent Company of the NLTG Group, NLTG HoldCo AB, stating that the Parent Company will support Airshoppen Travel Retail A/S to the extent necessary for the financial year 2021/22 and until 31 December 2022.

In the ongoing financial year, the cash flow headroom of the NLTG Group has developed satisfactorily and is significantly better than the “worst case” scenario which our additional financing facilities were based on when agreed in the Summer and Autumn 2020. At the end of the financial year 2020/21, the Group’s net debt was SEK 1,469 million resulting in a cash headroom above SEK 1,350 million for the NLTG Group.

During the financial year 2020/21, the ultimate shareholders of the NLGT Group have injected new capital in the form of cash into the NLTG Group corresponding to SEK 433 million. Subsequently, the ultimate shareholders have in January 2022 by contribution in kind injected further SEK 394 million. The contribution in kind comprises the shares in NLTG HH Holdco AB, which owns 2 NLTG concept hotels operated in Canarias. In addition to this, the ultimate shareholders of the NLTG Group issued a capital commitment letter toward its main credit institution guaranteeing that the Group at certain reference dates fulfills certain covenants in respect of Minimum Equity, Liquidity and EBITDA.

The Group experiences a positive effect in future bookings especially in Denmark where restrictions are lifted. A similar trend is expected in Sweden and Norway when restrictions ease up. Because of Covid-19, Management expects a small profit for the financial year 2021/22. For subsequent years, Management expects that profits will recover to historic levels.

It is the assessment of the Executive Board and the Board of Directors that the Group and the Company, because of the above, has sufficient capital resources to continue 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.

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 at present within the business area of the Company, Management has, when presenting the Financial Statements, made significant estimates especially when performing: Impairment test of goodwill and Management's review of future development where profit is expected again in the financial year 2022/23, which is based on a recurring demand for holiday and travel.

3 Subsequent events

After the balance sheet date, the spread of covid-19 has continued, but since vaccination programs are now underway and as restrictions are lifted in the Nordic countries and at our destinations, we are anticipating that the business will return to normal volumes during the summer of 2022 and continue to grow from there.

Please refer to note 1 about Capital resources.

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

4 Staff expenses

	2020/21
	DKK
Wages and salaries	10.002.215
Pensions	905.232
Other social security expenses	1.512.128
Other staff expenses	412.650
	12.832.225
Average number of employees	**48**

Notes to the Financial Statements

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

Amortisation of intangible assets	1.067.875
Depreciation of property, plant and equipment	1.087.081
	2.154.956

6 Intangible assets

	Software	Goodwill	Development projects in progress
	DKK	DKK	DKK
Cost at 28 May 2020	0	0	0
Additions for the year	1.228.401	8.542.935	7.943.234
Cost at 30 September 2021	1.228.401	8.542.935	7.943.234
Impairment losses and amortisation at 28 May 2020	0	0	0
Amortisation for the year	355.964	711.911	0
Impairment losses and amortisation at 30 September 2021	355.964	711.911	0
Carrying amount at 30 September 2021	**872.437**	**7.831.024**	**7.943.234**

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

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 28 May 2020	0
Additions for the year	4.757.947
Cost at 30 September 2021	4.757.947

Notes to the Financial Statements

7 Property, plant and equipment (continued)

	Other fixtures and fittings, tools and equipment
	DKK
Impairment losses and depreciation at 28 May 2020	0
Depreciation for the year	1.087.081
Impairment losses and depreciation at 30 September 2021	1.087.081
Carrying amount at 30 September 2021	**3.670.866**

8 Fixed asset investments

	Deposits
	DKK
Cost at 28 May 2020	0
Additions for the year	2.634.964
Cost at 30 September 2021	2.634.964
Carrying amount at 30 September 2021	**2.634.964**

9 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 26,579.

Hedged SEK amount 9,000,000
Hedged NOK amount 12,225,880

The sales and purchases of goods has been hedged for a period of 4-6 months.

Notes to the Financial Statements

10 Contingent assets, liabilities and other financial obligations

	2021
	DKK

Contingent assets

The Company has unrecognised deferred tax assets from tax loss carry-forwards with a tax value of DKK 6,4 million.

Rental and lease obligations

	2021 DKK
Lease obligations under operating leases. Total future lease payments:	
Within 1 year	4.207
Between 1 and 5 years	16.627
	20.834

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 2,5 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

11 Related parties

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

12 Accounting Policies

The Annual Report of Airshoppen Travel Retail A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

This annual report comprises the first financial year covering the period 28 May 2020 – 30 September 2021.

The Financial Statements for 2020/21 are presented in DKK.

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

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.

Notes to the Financial Statements

12 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

12 Accounting Policies (continued)

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/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of goods sold 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)

Notes to the Financial Statements

12 Accounting Policies (continued)

Balance Sheet

Intangible assets

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.

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 10 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

12 Accounting Policies (continued)

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.

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. 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

Notes to the Financial Statements

12 Accounting Policies (continued)

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.