
Monarch A/S

c/o SSP Denmark A/S, Lufthavnsboulevard 14, 1.,
DK-2770 Kastrup

Annual Report for 1 October 2019 - 30 September 2020

CVR No 18 06 89 82

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/2 2021

Dorte Westrup Gleie
Chairman of the General
Meeting

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 October - 30 September	10
Balance Sheet 30 September	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Monarch A/S for the financial year 1 October 2019 - 30 September 2020.

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 2020 of the Company and of the results of the Company operations for 2019/20.

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.

Kastrup, 25 February 2021

Executive Board

Dorte Westrup Gleie
CEO

Board of Directors

Jeremy James Fennell
Chairman

Morten Solberg Nilsen

Dorte Westrup Gleie

Independent Auditor's Report

To the Shareholder of Monarch A/S

Opinion

We have audited the Financial Statements of Monarch A/S for the financial year 1 October 2019 - 30 September 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 30 September 2020 and of the results of the Company's operations for the financial year 1 October 2019 - 30 September 2020 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 (IESBA 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.

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.

Independent Auditor's Report

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, 25 February 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Henrik Kyhnaav Andersen

statsautoriseret revisor

mne40028

Company Information

The Company

Monarch A/S
c/o SSP Denmark A/S
Lufthavnsboulevard 14, 1.
DK-2770 Kastrup

Telephone: + 45 32 48 32 48

CVR No: 18 06 89 82

Financial period: 1 October - 30 September

Incorporated: 1 October 1994

Municipality of reg. office: Tårnby

Board of Directors

Jeremy James Fennell, Chairman
Morten Solberg Nilsen
Dorte Westrup Gleie

Executive Board

Dorte Westrup Gleie

Auditors

KPMG
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:

	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	44.021	81.458	88.728	104.295	117.413
Gross profit/loss	33.216	56.315	51.623	63.792	58.155
Profit/loss before financial income and expenses	6.244	16.326	10.286	16.197	7.406
Net profit/loss for the year	5.356	17.053	9.368	16.819	7.583
Balance sheet					
Balance sheet total	151.579	144.300	131.610	127.740	104.055
Equity	102.145	96.789	79.736	70.368	53.549
Investment in property, plant and equipment	135	1.287	1.964	1.871	1.712
Number of employees	64	89	123	113	132
Ratios					
Gross margin	75,5%	69,1%	58,2%	61,2%	49,5%
Profit margin	14,2%	20,0%	11,6%	15,5%	6,3%
Solvency ratio	67,4%	67,1%	60,6%	55,1%	51,5%
Return on equity	5,4%	19,3%	12,5%	27,1%	15,2%

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 company's activity is the operation of restaurants along the motorway network. The company currently operates 11 units in Denmark.

Most of the restaurants are operated from rented premises, while some are run from owned premises on rented grounds.

Monarch's business proposition is to operate a profitable restaurant chain, which is recognised as the most popular people's favourite eatery along the highways.

Development in the year

The income statement of the Company for 2019/20 shows a profit of TDKK 5,356, and at 30 September 2020 the balance sheet of the Company shows equity of TDKK 102,145.

Before the COVID-19 outbreak, Management expected revenues and EBITDA for FY20 in line with the previous year.

Outlook

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events.

It is expected that the company's total activities in the coming year will develop positively, as loss-making units are being shut down or divested. Likewise, a positive effect is expected of the increased traffic on the motorway network – we also expect that the COVID-19 situation will generate more local activity in Denmark over the next couple of years which we assume will have a positive impact on our units.

Research and development

The company does not carry out systematic research, but it continuously adjusts its own products and the business concept in the individual sales outlets. Costs related to this are expensed on an ongoing basis.

External environment

In connection with an ever-increasing focus on the surrounding environment, the company has continuously exchanged individual refrigeration plants. Furthermore, the company focuses on continuously replacing incandescent bulbs for LEDs.

We carry out our activities with a high focus on our environment and stakeholders and with constant focus on minimizing the environmental impacts of our business. At present, group policy is followed as local Danish policies have not been introduced regarding our impact on the climate, human rights, and the environment in general.

Management's Review

Statutory statement on climate, environment, social- and staff matters and human rights, cf. the Danish Financial Statements Act, is included in the consolidated financial statements published by the company's ultimate owner SSP Group plc in the Group's annual report for 2019/20 (p.19 to p.23).

The Group's report can be found on the website:

<https://investors.foodtravelexperts.com/investors/financial-reports/2021.aspx>

Intellectual capital resources

It is essential for Monarch A/S's continued operations to attract and retain well-trained staff who understand how best to service our guests. In this connection, the company offers both internal and external training programs.

Statement of corporate social responsibility

The company wishes to develop its core business and meet its new strategic challenges in an economically and socially sound manner.

Our business model is focused on meeting the food and beverage needs of our clients and customers in the complex and challenging travel environment. We can achieve this through a combination of international scale and local expertise.

In connection with recruitment, gender, age, and cultural backgrounds are ignored, as emphasis is placed on the right skills, and if they are present, there is equal opportunity for all. We do not compile reports about employees' backgrounds, so we are unable to report on this.

Food safety and quality are essential for Monarch A/S. There is increasing focus on quality, food safety and product hygiene from various sources, including guests, the press, and authorities. Thus, as in previous years, considerable amounts have been incurred for hygiene requirements. It is important that all products are produced under the same food safety conditions and under the same quality system, regardless of which restaurant or café is involved. The company's self-control program, which guarantees high food safety, is implemented in all our units.

This has resulted in most of all units having achieved the company's goal of Elite Smiley.

Monarch A/S has not developed formal policies to CSR, including climate, environment, risks and social- and staff matters, cf. 99 a of the Danish Financial Statements Act. Therefore, we referred to the consolidated financial statements published by the company's ultimate owner SSP Group plc in the Group's annual report for 2019/20 (p.28 to p.32). The Group's report can be found on the website: <https://investors.foodtravelexperts.com/investors/financial-reports/2021.aspx>

Statement on gender composition

In Monarch A/S, members are elected to the Board of Directors and the other management roles based on competencies. The Board recognizes the value of diversity in relation to experience, culture, education, and gender.

Management's Review

At the current stage, we have 3 members of the Board, of whom 1 member is a female. Therefore, according to the 99b requirements we do not need to set additional targets for the underrepresented gender in the Board.

At the current stage, we have 9 members of the management team, of whom 6 members are female. Therefore, according to the 99b requirements we do not need to set additional targets for the underrepresented gender in the Board.

Subsequent events

The COVID-19 pandemic will have an ongoing effect on our results for 2020/21.

Therefore, our estimates for 2020/21 are quite conservative.

We assume that the vaccine against COVID-19 will help our business get back on track within the next 8-12 months.

Income Statement 1 October - 30 September

	Note	2019/20 TDKK	2018/19 TDKK
Revenue		44.021	81.458
Other operating income	1	13.940	10.611
Expenses for raw materials and consumables		-10.694	-21.236
Other external expenses		-14.051	-14.518
Gross profit/loss		33.216	56.315
Staff expenses	2	-25.437	-37.891
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1.535	-2.098
Profit/loss before financial income and expenses		6.244	16.326
Financial income	4	2.026	3.349
Financial expenses	5	-551	-372
Profit/loss before tax		7.719	19.303
Tax on profit/loss for the year	6	-2.363	-2.250
Net profit/loss for the year		5.356	17.053

Balance Sheet 30 September

Assets

	Note	2019/20 TDKK	2018/19 TDKK
Software		0	8
Intangible assets	7	0	8
Other fixtures and fittings, tools and equipment		0	124
Leasehold improvements		2.782	4.050
Property, plant and equipment	8	2.782	4.174
Investments in associate company	9	306	306
Fixed asset investments		306	306
Fixed assets		3.088	4.488
Inventories		836	1.026
Trade receivables		2.039	1.555
Receivables from group enterprises		138.484	128.374
Other receivables	10	5.349	6.000
Deferred tax asset	11	1.182	872
Prepayments	12	109	659
Receivables		147.163	137.460
Cash at bank and in hand		492	1.326
Currents assets		148.491	139.812
Assets		151.579	144.300

Balance Sheet 30 September

Liabilities and equity

	Note	2019/20 TDKK	2018/19 TDKK
Share capital		501	501
Reserve for net revaluation under the equity method		49	49
Retained earnings		101.595	96.239
Equity		102.145	96.789
Other provisions	13	1.020	1.290
Provisions		1.020	1.290
Trade payables		3.833	4.934
Payables to group enterprises		35.938	34.898
Payables to group enterprises relating to corporation tax		3.732	1.713
Other payables		4.911	4.676
Short-term debt		48.414	46.221
Debt		48.414	46.221
Liabilities and equity		151.579	144.300
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	501	49	96.239	96.789
Net profit/loss for the year	0	0	5.356	5.356
Equity at 30 September	501	49	101.595	102.145

Notes to the Financial Statements

	<u>2019/20</u>	<u>2018/19</u>
	TDKK	TDKK
1 Other operating income		
Adjustment of provision for restoration costs	270	0
Government support/aid regarding fixed costs	488	0
Government support/aid regarding salary compensation	2.865	0
Other income	<u>10.317</u>	<u>10.611</u>
	<u>13.940</u>	<u>10.611</u>
2 Staff expenses		
Wages and salaries	22.716	33.799
Pensions	2.242	3.253
Other social security expenses	421	762
Other staff expenses	<u>58</u>	<u>77</u>
	<u>25.437</u>	<u>37.891</u>
Average number of employees	<u>64</u>	<u>89</u>

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

There is no remuneration paid to the Board of Directors.

The company's management team is subject to a constant bonus scheme under which the criteria for payment is the development in revenue and profit before depreciation (EBITDA) in relation to the budget.

Notes to the Financial Statements

	2019/20	2018/19
	TDKK	TDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	8	8
Depreciation of property, plant and equipment	1.527	2.090
	1.535	2.098
Which is specified as follows:		
Software	8	8
Other fixtures and fittings, tools and equipment	124	149
Leasehold improvements	1.403	2.507
Maintenance	0	-566
	1.535	2.098
4 Financial income		
Interest received from group enterprises	1.740	3.258
Interest received from associates	280	0
Exchange adjustments	6	91
	2.026	3.349
5 Financial expenses		
Interest paid to group enterprises	461	343
Other financial expenses	61	8
Exchange adjustments, expenses	29	21
	551	372
6 Tax on profit/loss for the year		
Current tax for the year	2.019	2.301
Deferred tax for the year	-309	-97
Adjustment of tax concerning previous years	654	46
Adjustment of deferred tax concerning previous years	-1	0
	2.363	2.250

Notes to the Financial Statements

7 Intangible assets

	Software TDKK
Cost at 1 October	17
Cost at 30 September	17
Impairment losses and amortisation at 1 October	9
Amortisation for the year	8
Impairment losses and amortisation at 30 September	17
Carrying amount at 30 September	0

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost at 1 October	1.943	24.915	26.858
Additions for the year	0	135	135
Cost at 30 September	1.943	25.050	26.993
Impairment losses and depreciation at 1 October	1.819	20.865	22.684
Depreciation for the year	124	1.403	1.527
Impairment losses and depreciation at 30 September	1.943	22.268	24.211
Carrying amount at 30 September	0	2.782	2.782

Notes to the Financial Statements

	2019/20 TDKK	2018/19 TDKK
9 Investments in associate company		
Cost at 1 October	257	257
Cost at 30 September	257	257
Value adjustments at 1 October	49	49
Value adjustments at 30 September	49	49
Carrying amount at 30 September	306	306

Investments in associate company are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Motorvejscenter- selskabet af 1990 A/S	Copenhagen	TDKK 500	50%	611	0

	2019/20 TDKK	2018/19 TDKK
10 Other receivables		
The following receivables fall due for payment more than 1 year after year end	4.219	5.078
11 Deferred tax asset		
Deferred tax asset at 1 October	872	1.166
Amounts recognised in the income statement for the year	309	97
Adjustment deferred tax concerning previous years	1	-391
Deferred tax asset at 30 September	1.182	872

12 Prepayments

Prepayments consist of prepaid expenses concerning next financial year.

Notes to the Financial Statements

	<u>2019/20</u>	<u>2018/19</u>
	TDKK	TDKK
13 Other provisions		
Other provisions consist of reestablishment expenses.		
Other provisions	1.020	1.290
	<u>1.020</u>	<u>1.290</u>

14 Distribution of profit

Retained earnings	5.356	17.053
	<u>5.356</u>	<u>17.053</u>

15 Contingent assets, liabilities and other financial obligations

Contingent assets

As part of the operation of the company's business, Monarch A/S, is involved in disputes with a few suppliers. In Management's opinion, the outcome of these disputes will most likely not affect the Company's financial position, why liabilities towards these, are not recognised in the balance sheet at 30 September 2020.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.410	1.462
Between 1 and 5 years	4.294	4.282
After 5 years	0	1.123
	<u>5.704</u>	<u>6.867</u>

Guarantee obligations

Ordinary bank guarantees provide for landlords and Vejdirektoratet.	1.857	1.892
---	-------	-------

Other contingent liabilities

The Group's companies are jointly and severally liable for tax on the group's jointly taxed income. The total tax liability is disclosed in the annual report of SSP Denmark Financing ApS as the management company of the joint taxation group. The group companies are jointly and severally liable for the payments of income taxes as well as withholding taxes on dividends, royalties and interest. Potential changes to the income taxes or withholding taxes might lead to the company's liability being a higher amount.

Notes to the Financial Statements

16 Related parties

	Basis
Controlling interest	
SSP Denmark Financing ApS, Kastrup, Danmark	Parent company
SSP Group Plc., London, England	Ultimate parent company

Other related parties

Other enterprises within the SSP Group Plc.

Transactions

No disclosures of transactions with related parties as Management believes that all transactions with related parties has been carried out on arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

Name	Place of registered office
SSP Group Plc.	London, England

The Group Annual Report of SSP Group Plc. may be obtained at the following address:

32 Jamestown Road, NW1 7HW, London, England

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Monarch A/S for 2019/20 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 2019/20 are presented in TDKK.

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 SSP Group Plc., 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 and impairment losses.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Leases

Leases are considered operational leases. Services relating to operating leases and other lease agreements are recognized in the income statement over the term of the contract. The company's total liability relating to operating leases and lease agreements is disclosed under contingent liabilities.

Notes to the Financial Statements

17 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.

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.

Income Statement

Revenue

Net sales represent invoiced and delivered sales excluding VAT.

Expenses for raw materials and consumables

Consumption of goods is recognised corresponding to the net sales of the year.

Other external expenses

Other external expenses comprise expenses for administration, rent and operating equipment, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses for employees at the sale places, administration and management.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses include interest, gains and losses on receivables, debts and transactions in foreign currency.

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.

The Company is jointly taxed with 100% owned Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Licences (software)

Licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

The amortisation period is years. Software licences are amortised over the period of the agreement, which is 3-5 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	10 year/rent period
Leasehold improvements	Rent period

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 25,000 are expensed in the year of acquisition.

Notes to the Financial Statements

17 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 there are indications of impairment, impairment tests are made for each asset or group of assets. Write-downs are made at the recoverable amount, if this is lower than the carrying amount.

As the recoverable amount, the highest value of net selling price and capitalised value is used. The capitalised value is calculated as the present value of the expected net cash flows from the use of the asset or asset group.

Investments in associates

Investments in associates are recognised and measured under the equity method.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

Receivables

Receivables are measured at amortized cost. Write-downs are made to meet expected losses after an individual assessment of receivables.

Prepayments

Prepayments comprise prepaid expenses concerning expenses for the next financial year.

Provisions

Provisions include obligations to reestablish leased premises.

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method in respect of temporary differences between the financial reporting purpose and tax value of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to taxable non-amortization goodwill and other items where temporary differences - other than business transfers - arose at the time of acquisition without affecting profit or taxable income. In cases where the calculation of the tax value can be made under alternative taxation rules, deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to 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.

Payable and receivable joint taxation contributions are recognized in the balance sheet as "Receivable corporate income tax" or "Payable corporation income tax".

Financial debts

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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