**Pleo Holding ApS**

Ravnsborg Tværgade 5 C, DK-2200 Copenhagen

Annual Report for 1 January - 31 December 2019

CVR No 39 11 41 27

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 2 /7 2020

Jeppe Carøe Rindom
Chairman of the General Meeting

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Contents

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pleo Holding ApS for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations for 2019.

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, 2 July 2020

Executive Board

Jeppe Carøe Rindom CEO	Niccolo Perra CTO

Board of Directors

Jeppe Carøe Rindom Chairman	Andreas Bernström	Kenneth Allen Fox
Johan Erik Larsson Brenner	Niccolo Perra	Christian Ulrik Trolle

Independent Auditor's Report

To the Shareholders of Pleo Holding ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Pleo Holding ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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.

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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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

Independent Auditor's Report

may cause the Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 2 July 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Flemming Eghoff
statsautoriseret revisor
mne30221

Peter Nissen
statsautoriseret revisor
mne33260

Company Information

The Company	Pleo Holding ApS Ravnsborg Tværgade 5 C DK-2200 Copenhagen CVR No: 39 11 41 27 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Jeppe Carøe Rindom, Chairman Andreas Bernström Kenneth Allen Fox Johan Erik Larsson Brenner Niccolo Perra Christian Ulrik Trolle
Executive Board	Jeppe Carøe Rindom Niccolo Perra
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group	
	2019	2018
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	-4.898	-1.060
Profit/loss before financial income and expenses	-77.281	-29.905
Net financials	-1.404	-2.300
Net profit/loss for the year	-73.413	-29.804
Balance sheet		
Balance sheet total	557.936	99.064
Equity	369.997	69.895
Investment in property, plant and equipment	1.934	0
Number of employees	109	47
Ratios		
Solvency ratio	66,3%	70,6%

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 main activity is to own shares and invest in subsidiaries. The Group’s main activity is to develop and provide a platform for expense handling and payments for businesses and hereby related activities.

Development in activities and financial matters

The gross loss for the year is tDKK -4.898 against tDKK -1.060 last year. The results from ordinary activities after tax are tDKK -73.413 against tDKK -29.804 last year.

The net loss for the year is a result of significant investments made into further development of both product, platform and organization in accordance with growth plans and budgets. The results are in line with management’s expectations and are considered satisfactory.

In May 2019 the Group closed a series B funding round of 50 mEUR led by Stripes Group, with participation from existing investors, Kinnevik, Creandum and Founders. This investment will be used to make further investments into product, platform and organization in coming years.

Subsequent events

Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company. In addition, management has not identified balance sheet items at 31 December 2019 that have been significantly affected by Covid-19 subsequently.

Management also considers the Group’s liquidity position as of 31 December 2019 as sufficient to secure the Group throughout the Covid-19 situation and the repercussions of this.

Besides the global Covid-19 pandemic, as mentioned above and in note 1, no events occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Gross profit/loss		**-4.897.619**	**-1.059.736**	**-78.562**	**-28.431**
Staff expenses	2	-70.113.307	-27.166.365	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.269.898	-1.678.867	0	0
Profit/loss before financial income and expenses		**-77.280.824**	**-29.904.968**	**-78.562**	**-28.431**
Other financial income	3	2.039.665	188.773	607.303	316.348
Other financial expenses	4	-3.443.264	-2.489.111	-779.057	-234.425
Profit/loss before tax		**-78.684.423**	**-32.205.306**	**-250.316**	**53.492**
Tax on profit/loss for the year	5	5.271.921	2.401.679	0	-8.668
Net profit/loss for the year		**-73.412.502**	**-29.803.627**	**-250.316**	**44.824**

Distribution of profit

Proposed distribution of profit

Retained earnings	-73.412.502	-29.803.627	-250.316	44.824
	-73.412.502	**-29.803.627**	**-250.316**	**44.824**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Completed development projects		1.678.866	3.357.733	0	0
Intangible assets	6	**1.678.866**	**3.357.733**	**0**	**0**
Leasehold improvements		1.343.252	0	0	0
Property, plant and equipment	7	**1.343.252**	**0**	**0**	**0**
Investments in subsidiaries	8	0	0	227.840.926	58.577.682
Deposits	9	1.108.324	0	0	0
Fixed asset investments		**1.108.324**	**0**	**227.840.926**	**58.577.682**
Fixed assets		**4.130.442**	**3.357.733**	**227.840.926**	**58.577.682**
Inventories		**385.997**	**478.978**	**0**	**0**
Trade receivables		2.377.814	955.604	0	0
Receivables from group enterprises		0	0	8.834.695	7.461.150
Other receivables		13.904.590	1.172.118	0	0
Corporation tax		5.310.019	2.401.679	0	0
Prepayments		3.267.628	591.380	0	0
Receivables		**24.860.051**	**5.120.781**	**8.834.695**	**7.461.150**
Cash at bank and in hand	10	**528.559.130**	**90.106.881**	**321.094.200**	**56.224.548**
Currents assets		**553.805.178**	**95.706.640**	**329.928.895**	**63.685.698**
Assets		**557.935.620**	**99.064.373**	**557.769.821**	**122.263.380**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent company	
	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Share capital		160.785	125.483	160.785	125.483
Retained earnings		369.836.014	69.769.615	495.251.293	122.036.838
Equity		**369.996.799**	**69.895.098**	**495.412.078**	**122.162.321**
Other payables		22.693.435	21.523.544	0	0
Long-term debt	11	**22.693.435**	**21.523.544**	**0**	**0**
Credit institutions		0	0	0	219
Trade payables		6.599.925	3.094.522	50.000	21.250
Payables to group enterprises		0	0	62.307.743	70.922
Corporation tax		37.699	0	0	0
Payables to group enterprises relating to corporation tax		0	0	0	8.668
Other payables	11,12	158.607.762	4.551.209	0	0
Short-term debt		**165.245.386**	**7.645.731**	**62.357.743**	**101.059**
Debt		**187.938.821**	**29.169.275**	**62.357.743**	**101.059**
Liabilities and equity		**557.935.620**	**99.064.373**	**557.769.821**	**122.263.380**
Subsequent events	1				
Contingent assets, liabilities and other financial obligations	13				
Accounting Policies	14				

Statement of Changes in Equity

Group

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	125.483	0	69.769.615	69.895.098
Cash capital increase	35.302	373.464.771	0	373.500.073
Exchange adjustments relating to foreign entities	0	0	14.130	14.130
Net profit/loss for the year	0	0	-73.412.502	-73.412.502
Transfer from share premium account	0	-373.464.771	373.464.771	0
Equity at 31 December	**160.785**	**0**	**369.836.014**	**369.996.799**

Parent company

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January	125.483	0	122.036.838	122.162.321
Cash capital increase	35.302	373.464.771	0	373.500.073
Net profit/loss for the year	0	0	-250.316	-250.316
Transfer from share premium account	0	-373.464.771	373.464.771	0
Equity at 31 December	**160.785**	**0**	**495.251.293**	**495.412.078**

Notes to the Financial Statements

1 Subsequent events

Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company. In addition, management has not identified balance sheet items at 31 December 2019 that have been significantly affected by Covid-19 subsequently.

Management also considers the Group's liquidity position as of 31 December 2019 as sufficient to secure the Group throughout the Covid-19 situation and the repercussions of this.

	Group		Parent company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	63.394.119	25.788.501	0	0
Other social security expenses	1.299.904	106.598	0	0
Other staff expenses	5.419.284	1.271.266	0	0
	70.113.307	**27.166.365**	**0**	**0**
Average number of employees	**109**	**47**	**0**	**0**
3 Other financial income				
Interest received from group enterprises	0	0	607.303	140.737
Other financial income	2.053.795	13.162	0	0
Exchange adjustments	-14.130	0	0	0
Exchange gains	0	175.611	0	175.611
	2.039.665	**188.773**	**607.303**	**316.348**
4 Other financial expenses				
Interest paid to associates	0	99.202	0	99.202
Other financial expenses	3.443.264	2.389.909	779.057	135.223
	3.443.264	**2.489.111**	**779.057**	**234.425**

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK
5 Tax on profit/loss for the year				
Current tax for the year	-5.272.320	-2.401.679	0	8.668
Adjustment of tax concerning previous years	399	0	0	0
	-5.271.921	**-2.401.679**	**0**	**8.668**

6 Intangible assets

Group

	Completed development projects
	DKK
Cost at 1 January	5.036.600
Cost at 31 December	5.036.600
Impairment losses and amortisation at 1 January	1.678.867
Amortisation for the year	1.678.867
Impairment losses and amortisation at 31 December	3.357.734
Carrying amount at 31 December	**1.678.866**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Leasehold improvements
	DKK
Cost at 1 January	0
Additions for the year	1.934.283
Cost at 31 December	1.934.283
Impairment losses and depreciation at 1 January	0
Depreciation for the year	591.031
Impairment losses and depreciation at 31 December	591.031
Carrying amount at 31 December	**1.343.252**
Depreciated over	3 years

Notes to the Financial Statements

	Parent company	
	2019	2018
	DKK	DKK

8 Investments in subsidiaries

Cost at 1 January	58.577.680	27.848.760
Additions for the year	169.263.246	30.728.922
Carrying amount at 31 December	**227.840.926**	**58.577.682**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Pleo Technologies A/S	Denmark	100%	45.424.769	-75.776.459
Pleo Financial Services A/S	Denmark	100%	44.862.494	2.187.315
Pleo Technologies Ltd.	United Kingdoms	100%	11.866.607	425.721
Pleo Technologies AB	Sweden	100%	40.340	5.011
Pleo Technologies GmBH	Germany	100%	187.272	522
Pleo Technologies SL	Spain	100%	22.344	-6
			102.403.826	-73.157.896

9 Other fixed asset investments

	Group
	Deposits
	DKK
Cost at 1 January	0
Additions for the year	1.108.324
Cost at 31 December	1.108.324
Carrying amount at 31 December	**1.108.324**

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK

10 Cash at bank and in hand

Cash at bank and in hand	379.548.326	88.743.470	321.094.200	56.224.548
Customer funds	149.010.804	1.363.411	0	0
	528.559.130	**90.106.881**	**321.094.200**	**56.224.548**

11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	22.693.435	21.523.544	0	0
Long-term part	22.693.435	21.523.544	0	0
Within 1 year	2.210.297	0	0	0
Other short-term payables	156.397.471	4.551.209	0	0
Short-term part	158.607.768	4.551.209	0	0
	181.301.203	**26.074.753**	**0**	**0**

12 Other payables

Customer funds	149.010.804	1.363.411	0	0
Other debt	9.596.964	3.187.798	0	0
	158.607.768	**4.551.209**	**0**	**0**

Notes to the Financial Statements

	Group		Parent company	
	2019	2018	2019	2018
	DKK	DKK	DKK	DKK

13 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2019	2018	2019	2018
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	6.499.978	562.900	0	0
Between 1 and 5 years	9.649.239	2.580.000	0	0
	16.149.217	**3.142.900**	**0**	**0**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Pleo Holding ApS for 2019 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.

The order of the items of the income statement differs from the format prescribed by the Danish Financial Statements Act as the order has been adjusted to the nature of the Group's activities.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019 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.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Pleo Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and

Notes to the Financial Statements

14 Accounting Policies (continued)

losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

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

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 Group.

Revenue from financial services is recognized when the service is 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 from the sale of software services (subscriptions) is recognized on a straight-line basis over the contract period when the risks and rewards relating to the services have been transferred to the purchaser, and 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 revenue

Cost of revenue comprise fees to card schemes, processors etc. to achieve revenue for the year.

Notes to the Financial Statements

14 Accounting Policies (continued)

Other external expenses

Other external expenses comprise administration costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of revenue and other external expenses.

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.

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 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recog-

Notes to the Financial Statements

14 Accounting Policies (continued)

nised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 years.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Leasehold improvements	3 years

Depreciation period and residual value are reassessed annually.

Assets with a purchase price of less than DKK 54,000 are expensed in the year of acquisition.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

The cost of goods for resale equals landed cost.

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 and subscriptions.

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, 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

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