Galecto Biotech ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 34 87 83 66

Annual report for the period
1 January to 31 December 2024

Adopted at the annual general meeting on 22 May 2025

Steen Rode
chairman

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management´s review	
Company details	5
Financial highlights	6
Management's review	7
Financial statements	
Income statement 1 January - 31 December	10
Balance 31 December 2024	11
Statement of changes in equity	13
Notes	14
Accounting policies	20

Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Galecto Biotech ApS for the financial year 1 January - 31 December 2024.

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 company's financial position at 31 December 2024 and of the results of the company's operations for the financial year 1 January - 31 December 2024.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 22 May 2025

Executive board

Hans Schambye

Supervisory board

Hans Schambye
Chairman

Independent auditor's report

To the shareholders of Galecto Biotech ApS

Opinion

We have audited the financial statements of Galecto Biotech ApS for the financial year 1 January – 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January – 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. We refer to note 1 to the financial statements, which states that it is uncertain whether financing of the Company's operations in the coming years can be secured in due time. However, as Management believes that such financing will be obtained, the financial statements have been prepared on a going concern basis. We have not modified our opinion in respect of this matter.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

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.

Independent auditor's report

- 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.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 of management's review.

Copenhagen, 22 May 2025

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans B. Vistisen
State Authorised Public Accountant
MNE no. mne23254

Anders Roe Eriksen
State Authorised Public Accountant
MNE no. mne46667

Company details

The company	Galecto Biotech ApS Ole Maaløes Vej 3 2200 Copenhagen N	
	CVR no.:	34 87 83 66
	Reporting period:	1 January - 31 December 2024
	Incorporated:	3 December 2012
	Domicile:	Copenhagen
Primary acitivity	The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.	
Supervisory board	Hans Schambye, chairman	
Executive board	Hans Schambye	
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2024	2023	2022	2021	2020
	EUR	EUR	EUR	EUR	EUR
Key figures					
Gross profit/loss	5.477.168	15.256.504	12.287.141	9.406.910	4.883.512
Profit/loss before amortisation/depreciation and impairment losses	309.064	2.340.284	1.051.720	827.877	481.005
Earnings before interest and taxes (EBIT)	309.064	2.108.564	1.018.618	809.731	481.005
Profit/loss for the year	310.297	849.392	818.741	764.793	213.718
Balance sheet					
Balance sheet total	8.920.077	10.668.440	9.898.978	6.427.154	5.467.239
Investment in property, plant and equipment	0	0	109.809	196.431	0
Equity	8.553.704	8.243.407	7.394.015	3.668.869	2.904.076
Number of employees	6	37	36	29	16
Financial ratios					
Return on assets	3,2%	20,5%	12,5%	13,6%	10,1%
Solvency ratio	95,9%	77,3%	74,7%	57,1%	53,1%
Return on equity	3,7%	10,9%	14,8%	23,3%	7,6%
Current ratio	2.747,5%	451,0%	762,7%	487,3%	288,1%

The financial ratios are calculated in accordance with the definitions presented in the summary of significant accounting policies.

Management's review

Principal activities

The company renders research and development services to companies within the Galecto Group and has primarily financed its operations from income from such revenue.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual matters

The company's financial position at 31 December 2024 and the results of its operations for the financial year ended 31 December 2024 are not affected by any unusual matters.

Development in activities and financial matters

The company's income statement for the year ended 31 December 2024 shows a profit of EUR 306.799 and the balance sheet at 31 December 2024 shows equity of EUR 8.550.208

The company renders research and development services to companies within the Galecto Group and has primarily financed its operations from income from such revenue. In May 2024, a reduction of eight employees took place within the Galecto Group. The associated severance costs total EUR 730.299 and have been accounted for within wages and salaries.

In October 2024, the Galecto Group acquired the global rights to Bridge Medicines' BRM-1420 program, a novel dual ENL-YEATS and FLT3 inhibitor for multiple genetic subsets of acute myeloid leukemia ("AML"), and assumed certain of Bridge Medicines' liabilities associated with the acquired assets through the execution of the Bridge Purchase Agreement with Bridge Medicines LLC.

Management's review

Material uncertainty related to going concern

Galecto Biotech ApS has considered whether conditions and events exist that, when considered in aggregate, raise significant doubt about the Company's ability to continue as a going concern through one year from the balance sheet date. The Company is dependent on financing from the parent company Galecto, Inc including intercompany receivables of €6 715 thousand at 31 December 2024. Furthermore, the activities in Galecto Biotech ApS are dependent of revenue from research and development services to companies within Galecto group. We refer to note 1 for further details.

Due to this the Company has concluded that there is significant doubt about its ability to continue as a going concern through one year from the balance sheet date. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Therefore, the financial statements have been prepared on the assumption that the company will continue as a going concern and with the expectation of realizing assets and settling liabilities and commitments in the normal course of business.

Significant events occurring after the end of the financial year

No events have occured after the balance sheet date to this date, which would influence the evaluation of this annual report.

The company's knowledge resources if of particular importance to its future earnings

With our science and knowledge at the center of our business, we have a team of knowledgeable and highly skilled employees who are crucial to the success of our business. As we strive to be an employer of choice and maintain the strength of our workforce, we consistently assess the current business environment and labor market to refine our compensation and benefits programs and other resources available to our employees. We are committed to investing in the development of our people and creating an environment where diverse perspectives and backgrounds are encouraged and supported. We host weekly company-wide sessions where ideas are discussed, feedback on corporate initiatives is received, scientific breakthroughs are shared, and other corporate updates are provided. Our people's voices are central to identifying how we, as an organization, can strengthen the organization further and maintain high retention. We consider our relationship with our employees to be strong.

Impact on the external environment and measures taken to prevent, reduce or mitigate damage

The company fulfills the requirements of the environmental legislation. Considering the nature of the company, the direct environmental impact is very limited.

Foreign branches

Galecto Biotech ApS - UK Branch was established in January 2021. The branch is providing project management and pharmacology services to Galecto group companies.

Management's review

Expected development of the company, including specific prerequisites and uncertainties

We expect similar levels of activity in 2025 compared to 2024, driven by the restructuring plan combined with the acquired the global rights to Bridge Medicines' BRM-1420 program within the Galecto Group. The management expects a result before tax in the range of EUR 500.000 to 800.000 for the financial year 2025.

Income statement 1 January - 31 December

	Note	2024 EUR	2023 EUR
Gross profit		**5.477.168**	**15.256.504**
Staff costs	2	-5.168.104	-12.916.220
Depreciation, amortisation and impairment of property, plant and equipment		0	-231.720
Profit/loss before net financials		**309.064**	**2.108.564**
Financial income	3	775.705	274.549
Financial expenses	4	-45.205	-288.211
Profit/loss before tax		**1.039.564**	**2.094.902**
Tax on profit/loss for the year	5	-729.267	-1.245.510
Profit/loss for the year		**310.297**	**849.392**
Distribution of profit	6		

Balance 31 December 2024

	Note	2024 EUR	2023 EUR
Assets			
Deposits	7	0	35.464
Fixed asset investments		**0**	**35.464**
Total non-current assets		**0**	**35.464**
Receivables from group enterprises		6.714.879	6.502.920
Other receivables		41.358	206.546
Receivable tax		65.876	564.379
Prepayments	8	120.934	390.869
Receivables		**6.943.047**	**7.664.714**
Cash at bank and in hand		**1.977.030**	**2.968.262**
Total current assets		**8.920.077**	**10.632.976**
Total assets		**8.920.077**	**10.668.440**

Balance 31 December 2024

	Note	2024 EUR	2023 EUR
Equity and liabilities			
Share capital		10.704	10.704
Retained earnings		8.543.000	8.232.703
Equity		**8.553.704**	**8.243.407**
Other payables		41.710	67.466
Total non-current liabilities	10	**41.710**	**67.466**
Trade payables		265.697	432.118
Other payables		58.966	1.925.449
Total current liabilities		**324.663**	**2.357.567**
Total liabilities		**366.373**	**2.425.033**
Total equity and liabilities		**8.920.077**	**10.668.440**
Uncertainty about the continued operation (going concern)	1		
Subsequent events	11		
Contractual obligations and contingencies, etc.	12		
Related parties and ownership structure	13		

Statement of changes in equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 january 2024	10.704	8.232.703	8.243.407
Net profit/loss for the year	0	310.297	310.297
Equity at 31 December 2024	**10.704**	**8.543.000**	**8.553.704**

Notes

1 Uncertainty about the continued operation (going concern)

Galecto Biotech ApS has considered whether conditions and events exist that, when considered in aggregate, raise significant doubt about the Company's ability to continue as a going concern through one year from the balance sheet date. The Company is dependent on financing from the parent company Galecto, Inc including intercompany receivables of €6 715 thousand at 31 December 2024. Furthermore, the activities in Galecto Biotech ApS are dependent of revenue from research and development services to companies within Galecto group.

Galecto, Inc. group has a history of incurring operating losses and negative cash flows from operations. Galecto, Inc group has budgeted with cash available until March 2026. Due to significant doubt regarding Galecto Inc.'s ability to continue as a going concern, management has plans that will be implemented to mitigate the conditions or events that raise significant doubt. Galecto, Inc. has initiated plans to increase equity and has started its capital-raising efforts at the JP Morgan Healthcare Conference in January 2025. Galecto, Inc. seeks to raise additional capital and plans to raise approximately $30M in the first half of 2025. The additional capital will extend our cash runway into late 2027 or early 2028. Galecto, Inc. group plans to reduce administrative or overhead costs if the events above shift in terms of timeline or funding amounts.

Management considers it likely that the above-described plans will be effectively implemented. Management further assesses that it is probable that the above-described plans will mitigate the relevant conditions and events within one year of the issuance of the financial statements, thus alleviating the significant doubt about Galecto, Inc. groups ability to continue as a going concern.

Galecto, Inc. seeks to raise additional capital due to the ongoing operating losses, expected negative cash flows, and the need for additional funding to finance future operating costs.

With reference to above, management of Galecto Biotech ApS has concluded that there is significant doubt about its ability to continue as a going concern for one year from the balance date. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Therefore, the financial statements have been prepared on the assumption that the company will continue as a going concern and with the expectation of realizing assets and settling liabilities and commitments in the normal course of business.

Notes

		2024	2023
		EUR	EUR
2	**Staff costs**		
	Wages and salaries	5.015.670	12.477.659
	Pensions	7.386	47.198
	Other social security costs	145.048	391.363
		5.168.104	**12.916.220**
	Number of fulltime employees on average	6	37

According to section 98 B(3) of the Danish Financial Statements Act, renumeration to the executive board has not been disclosed.

Wages and salaries include severance costs of EUR 730.299 (2023: EUR 2.488.409). The company renders research and development services to companies within the Galecto Group. Due to a restructuring plan within the Galecto Group, the company has implemented a workforce reduction, resulting in the dismissal of 70% of its existing headcount to align its costs with the anticipated future level of activity. Therefore, the company's activity in the second half of 2023 has been affected by the restructuring plan, which adapted its cost structure to the expected level of future activity. In May 2024, the company implemented an additional workforce reduction, resulting in the dismissal of eight of its headcount. Following the changes, the company is well-positioned for the future and will continue to deliver services to companies within the Group.

Wages and salaries include shared based compensation of EUR 2.164.447 (2023: EUR 3.699.473) that is issued by Galecto, Inc. We refer to the accounting policies.

3	**Financial income**		
	Financial income, group enterprises	137.322	251.330
	Other financial income	638.383	23.219
		775.705	**274.549**
4	**Financial expenses**		
	Exchange loss	0	270.015
	Other financial expenses	45.205	18.196
		45.205	**288.211**

Notes

		2024	2023
		EUR	EUR
5	**Tax on profit/loss for the year**		
	Current tax for the year	51.587	179.654
	Deferred tax adjustment for the year	0	-13.641
	Joint taxation contribution	677.680	1.079.497
		729.267	**1.245.510**
6	**Distribution of profit**		
	Retained earnings	310.297	849.392
		310.297	**849.392**

7 Fixed asset investments

	Deposits
	EUR
Cost at 1 January 2023	35.464
Disposals for the year	-35.464
Cost at 1 January 2023	0
Carrying amount	**0**

8 Prepayments

Prepayments consist of prepaid expenses regarding contract research and development costs, prepaid rental costs, prepaid insurance costs, etc.

Notes

		2024	2023
		EUR	EUR
9	**Provision for deferred tax**		
	Deferred tax asset at 1 January	0	13.641
	Adjustment of the deferred tax charge for the year	0	-13.641
	Deferred tax asset at 31 December	**0**	**0**

At 31 December 2024, the company has deferred tax which amounts to EUR 14k. As it is uncertain if the tax asset can be utilised within a foreseeable future, their carrying amount has not been recognised in the financial statements.

10 Non-current liabilities

	Debt at 1 January 2024	Debt at 31 December 2024	Instalment next year	Debt outstanding after 5 years
	EUR	EUR	EUR	EUR
Other payables	67.466	41.710	0	0
	67.466	**41.710**	**0**	**0**

Other payables (non-current) consist of frozen holiday funds related to Danish employees.

11 Subsequent events

No events have occured after the balance sheet date to this date, which would influence the evaluation of this annual report.

12 Contractual obligations and contingencies, etc.

Contingent liabilities

The company is jointly taxed with its immediate parent company, Galecto Biotech AB (administrative company for the joint taxation), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

Notes

Operating lease commitments

	2024 EUR	2023 EUR
Liabilities under rental or lease agreeements until maturity in total	85.463	95.533
	85.463	**95.533**

Rent and lease liabilities consists of rent obligation with contract terms within 5 years.

13 Related parties and ownership structure

Controlling interest

Galecto Biotech AB
Ole Maaløes Vej 3
2200 Copenhagen N

Galecto Biotech AB owns a 100% interest in Galecto Biotech ApS.

Galecto Biotech ApS is included in the Consolidated Financial Statement of Galecto, Inc. The Consolidated Financial Statements can be obtained on the following addresses:

Galecto, Inc., Ole Maaløes Vej 3, 2200 København N.

Notes

13 Related parties and ownership structure (fortsat)

Transactions

Profit and loss transactions arising from related party transactions

Revenue from research and development services
Galecto Biotech AB: EUR 5.864.857 (2023: EUR 14.242.573)
Galecto, Inc.: EUR 1.342.990 (2023: EUR 2.968.141)

Revenue from management services
Galecto Biotech AB: EUR 793.587 (2023: EUR 1.400.039)
Galecto, Inc.: EUR 696.457 (2023: EUR 1.120.032)

Expenses from purchase of services
Galecto, Inc.: EUR 728.821 (2023: EUR 443.997)

Expenses, shared based compensation issued by Galecto, Inc.
Galecto, Inc.: EUR 2.164.447 (2023: EUR 3.699.473)

Financial income, group enterprises
Galecto Biotech AB: EUR 137.322 (2023: EUR 251.330)

Receivables from group enterprises

Galecto Biotech AB: EUR 6.551.331 (2023: EUR 4.504.602)
Galecto, Inc.: EUR 163.548 (2023: EUR 1.998.318)

Payable to group enterprises

Galecto Biotech AB: EUR 0 (2023: EUR 0)
Galecto, Inc.: EUR 0 (2023: EUR 0)

Accounting policies

The annual report of Galecto Biotech ApS for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class C (medium).

The accounting policies applied are consistent with those of last year.

Omission to present a cash flow statement

The cash flow statement has not been presented, cf. Danish Financial Statements Act section 86(4). The cash flow statement is included in the consolidated accounts for Galecto Inc., which can be obtained from the following website: https://ir.galecto.com/sec-filings/sec-filing/10-k/0000950170-24-028610

Presentation currency

The financial statements are presented in EUR.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit/loss

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Accounting policies

Gross profit reflects an aggregation of revenue and other operating income less directs costs and other external expenses.

Revenue

The company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue comprising income from research and development services provided by Galecto Biotech ApS to related parties, is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties.

Direct expenses

Direct expenses include the direct attributable costs used in generating the year's revenue.

Other operating income

The item Other operating income includes items of a secondary nature relative to the company’s activities, including gains on the sale of plant and equipment. The item also includes income from R&D Expenditure Credit (RDEC) in the United Kingdom, which is a tax incentive designed to reward businesses for investing in research and development in the United Kingdom. UK tax incentives have been presented in accordance with IAS 20 as other operating income as opposed to presentation as income taxes.

Other external expenses

Other external expenses include expenses related to the company's primary activities incurred in the year, including expenses to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external expenses also includes research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities. Staff costs also include shared based compensation that is issued by Galecto, Inc. In the balance sheet, shared based compensation is recognised under group receivables or payables with Galecto, Inc.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised gains and losses on payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year.

The company is jointly taxed with Galecto Biotech AB. In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

Balance sheet

Impairment of non-current assets

The carrying amount of Other fixtures and fittings, tools and equipment is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Write-down is made to the lower of the recoverable amount and carrying amount. The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost. The company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doutful debts is made when there is objective evidence that a receivable or a portfolie of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Accounting policies

Leases

The company has chosen IAS 17 as interpretation for classification and recognition of leases.

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other leases are disclosed under contingencies.

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised under group receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Liabilities

The company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Frozen holiday funds presented as non-current other payables is measured at net realisable value, including indexation. Indexation is recognised in the income statement as interest expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Accounting policies

Financial Highlights

Definitions of financial ratios.

Return on assets	$\frac{\text{Earnings before interest and taxes (EBIT) x 100}}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Current ratio	$\frac{\text{Current assets total x 100}}{\text{Short-term liabilities}}$