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BDO Statsautoriseret revisionsaktieselskab
Dokken 8
DK-6700 Esbjerg
CVR no. 20 22 26 70

NORLAX A/S

GARTNERVÆNGET 31, 6855 OUTRUP

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 11 March 2024

____
Ole Clemensen

CVR NO. 10 70 24 37

CONTENTS

COMPANY DETAILS

Company	Norlax A/S Gartnervænget 31 6855 Outrup	
	Telephone:	+45 76 52 23 00
	Website:	www.norlax.com
	E-mail:	norlax@norlax.com
	CVR No.:	10 70 24 37
	Established:	1 February 1987
	Municipality:	Varde
	Financial Year:	1 January - 31 December
Board of Directors	Ole Clemensen, chairman David Harrison Caslow Jesper Arentoft Ahrenkiel Eduardo Antonio Carbajosa Franco Sebastian Adam Raffo	
Executive Board	Jesper Arentoft Ahrenkiel	
Auditor	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg	

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Norlax A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Outrup, 11 March 2024

Executive Board

Jesper Arentoft Ahrenkiel

Board of Directors

Ole Clemensen Chairman	David Harrison Caslow	Jesper Arentoft Ahrenkiel
Eduardo Antonio Carbajosa	Franco Sebastian Adam Raffo	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Norlax A/S

Opinion
We have audited the *Financial Statements* of Norlax A/S for the *financial year 1 January - 31 December 2023*, which comprise income statement, Balance Sheet, *statement of changes in equity*, cash flows, notes and 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 assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the *Company's* operations and cash flows for the *financial year 1 January - 31 December 2023* 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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 Commentary
Management is responsible for Management Commentary.

Our opinion on the *Financial Statements* does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 Commentary.

Esbjerg, 11 March 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Smedegaard Larsen
State Authorised Public Accountant
MNE no. mne18510

Christian Holdensen
State Authorised Public Accountant
MNE no. mne49072

FINANCIAL HIGHLIGHTS

	2023 DKK '000	2022 DKK '000	2021 DKK '000	2020 DKK '000	2019 DKK '000
Income statement					
Gross profit/loss	119,865	96,822	74,417	73,274	73,568
Operating profit/loss of main activities	29,166	14,276	-623	-851	4,680
Financial income and expenses, net	-6,244	-1,965	-1,217	-1,070	-1,679
Profit/loss for the year	17,366	9,343	-1,434	-1,458	2,405
Balance sheet					
Total assets	156,737	135,164	93,422	90,864	102,900
Equity	62,941	51,772	42,859	44,587	46,168
Cash flows					
Investment in property, plant and equipment	-14,712	-9,155	-4,961	-4,982	-3,755
Key ratios					
Equity ratio	40.2	38.3	45.9	49.1	44.9
Return on equity	30.3	19.7	-3.3	-3.2	5.4

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio: $\frac{\text{Equity, at year-end x 100}}{\text{Total assets, at year-end}}$

Return on equity: $\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities
Norlax A/S is a manufacturer of smoked fish products with smoked salmon and trout as main products. The production includes Hot smoked takes place in its own factory in Outrup.

Development in activities and financial and economic position
The profit for year after tax was DKK 17,366k, against a profit last year of DKK 9,343k.
After distrubution of the profit for the year, the total equity amounts to DKK 62,941k.

Profit/loss for the year compared to the expected development
Management regards profit for the year as satisfactory compared to the expected development.

Financial risk
Activities abroad result in the results, cash flows and equity being affected by exchange rate and interest rate developments for a number of currencies. It is the company's policy to partially hedge commercial currency risks. Hedging is primarily carried through forward exchange contracts to hedge expected turnover and purchases within the next 12 months.

No speculative currency positions are entered into.

Price risks
The company's use of salmon as raw materials entails a particular risk because of the volatile market for salmon, since price increases can only be included in the price of the finished products to a limited extent immediately. It is the company's policy to partially hedge commodity risks.

Credit risks
The company's credit risks relate mainly to trade receivables. The day-to-day management has assessed each receivable and provisions for losses have been made in all necessary cases. The Company's policy of accepting credit risks means that all customers and other business partners are subject to ongoing credit assessment. Trade above a certain maximum are credit insured.

Quality conditions
In 2022 the Company is certified according to the requirements of BRC Global Standard Ecologically approved Koscher approved Global gap approved ASC approved (aquaculture Stewardship Council) MSC approved (Marine Stewardship Council) The company is also QA certified for a wide range of private label customers.

Environmental situation
The company has an overall strategy for its environmental work. The company is environmentally approved by the municipal authorities, who are continuously monitoring the company. Environmental approval is renewed every 4 years. It is not considered that the company is particularly damaging to the environment.

Future expectations
If the present business trends do not worsen considerably, 2024 will be a positive year for the company.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK '000	2022 DKK '000
GROSS PROFIT		**119,865**	**96,822**
Staff costs	1	-84,379	-76,331
Depreciation, amortisation and impairment losses for tangible and intangible assets		-6,320	-6,215
OPERATING PROFIT		**29,166**	**14,276**
Income from investments in subsidiaries		-475	-281
Other financial income		91	13
Other financial expenses		-6,335	-1,978
PROFIT BEFORE TAX		**22,447**	**12,030**
Tax on profit/loss for the year	2	-5,081	-2,687
PROFIT FOR THE YEAR	3	**17,366**	**9,343**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK '000	2022 DKK '000
Land and buildings		18,481	19,643
Production plant and machinery		29,812	21,575
Other plant, fixtures and equipment		1,668	740
Property, plant and equipment	4	**49,961**	**41,958**
Investments in subsidiaries		0	629
Financial non-current assets	5	**0**	**629**
NON-CURRENT ASSETS		**49,961**	**42,587**
Espenses for raw materials and consumables		48,169	24,423
Work in progress		4,056	4,260
Finished goods and goods for resale		19,004	14,128
Inventories		**71,229**	**42,811**
Trade receivables		29,174	45,146
Receivables from group enterprises		0	901
Other receivables		3,314	2,979
Prepayments	6	581	371
Receivables		**33,069**	**49,397**
Cash and cash equivalents		**2,478**	**369**
CURRENT ASSETS		**106,776**	**92,577**
ASSETS		**156,737**	**135,164**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK '000	2022 DKK '000
Share Capital	7	7,600	7,600
Fair value reserve for hedge accounting		-421	-724
Retained earnings		41,762	38,396
Proposed dividend		14,000	6,500
EQUITY		**62,941**	**51,772**
Provision for deferred tax	8	2,737	1,352
Other provisions	9	500	0
PROVISIONS		**3,237**	**1,352**
Debt to mortgage credit institution		5,181	5,645
Lease liabilities		12,126	7,090
Other non-current liabilities		6,793	6,592
Non-current liabilities	10	**24,100**	**19,327**
Debt to mortgage credit institution		495	522
Bank debt		11,764	34,724
Lease liabilities		3,426	2,739
Trade payables		27,609	10,171
Debt to owners and Management		6,680	0
Corporation tax payable		3,782	263
Derivative financial instruments	11	377	766
Other liabilities		12,326	13,528
Current liabilities		**66,459**	**62,713**
LIABILITIES		**90,559**	**82,040**
EQUITY AND LIABILITIES		**156,737**	**135,164**

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EQUITY

	Share capital	Fair value reserve for hedge accounting	Retained earnings	Proposed dividend	Total
Equity at 1 January 2023....................	7,600	-724	38,396	6,500	51,772
Proposed profit allocation, see note 3....			3,366	14,000	17,366
Transactions with owners					
Dividend paid.................................				-6,500	-6,500
Change fair value reserves					
Value adjustments in the year.............		389			389
Tax on changes in equity..................		**-86**			**-86**
Equity at 31 December 2023.............	**7,600**	**-421**	**41,762**	**14,000**	**62,941**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2023 DKK '000	2022 DKK '000
Profit/loss for the year	17,366	9,343
Depreciation and amortisation, reversed	6,320	6,215
Profit/loss from subsidiaries	475	281
Tax on profit/loss, reversed	5,081	2,687
Other adjustments	389	-552
Corporation tax paid	-263	0
Change in inventories	-28,418	-19,749
Change in receivables (ex tax)	16,328	-20,370
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)	26,158	3,642
CASH FLOWS FROM OPERATING ACTIVITY	**43,436**	**-18,503**
Purchase of property, plant and equipment	-14,712	-9,155
Sale of property, plant and equipment	915	71
Sale of financial assets	131	0
CASH FLOWS FROM INVESTING ACTIVITY	**-13,666**	**-9,084**
Proceeds from non-current borrowing	8,463	5,014
Instalments on loans	-6,664	-6,506
Change in bank debt	-22,960	29,064
Dividends paid in the financial year	-6,500	0
CASH FLOWS FROM FINANCING ACTIVITY	**-27,661**	**27,572**
CHANGE IN CASH AND CASH EQUIVALENTS	**2,109**	**-15**
Cash and cash equivalents at 1. januar	369	384
CASH AND CASH EQUIVALENTS AT 31. DECEMBER	**2,478**	**369**
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	2,478	369
CASH AND CASH EQUIVALENTS	**2,478**	**369**

NOTES

	2023 DKK '000	2022 DKK '000	Note
Staff costs			1
Number of full time employees	209	188	
Wages and salaries	76,930	70,568	
Pensions	6,825	5,206	
Social security costs	624	557	
	84,379	**76,331**	
Remuneration of Executive Board	0	1,677	
	0	**1,677**	

Information on management remuneration in 2023 has been omitted with reference to Section 98 b(3)(2) of the Danish Financial Statements Act.

	2023 DKK '000	2022 DKK '000	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year	3,782	263	
Adjustment of deferred tax	1,299	2,424	
	5,081	**2,687**	

	2023 DKK '000	2022 DKK '000	
Proposed distribution of profit			3
Proposed dividend for the year	14,000	6,500	
Retained earnings	3,366	2,843	
	17,366	**9,343**	

NOTES

Note

Property, plant and equipment 4

	Land and buildings	Production plant and machinery	Other plant, fixtures and equipment
Cost at 1 January 2023	47,998	75,325	3,075
Additions	819	12,267	1,626
Disposals	0	0	-1,151
Cost at 31 December 2023	**48,817**	**87,592**	**3,550**
Depreciation and impairment losses at 1 January 2023	28,355	53,750	2,335
Reversal of depreciation of assets disposed of	0	0	-763
Depreciation for the year	1,981	4,030	310
Depreciation and impairment losses at 31 December 2023	**30,336**	**57,780**	**1,882**
Carrying amount at 31 December 2023	**18,481**	**29,812**	**1,668**
Finance lease assets		22,585	

Financial non-current assets 5

	Investments in subsidiaries
Cost at 1 January 2023	3,910
Disposals	-3,910
Cost at 31 December 2023	**0**
Revaluation at 1 January 2023	-3,281
Profit/loss for the year	-475
	3,756
Revaluation at 31 December 2023	**0**
Carrying amount at 31 December 2023	**0**

	2023 DKK '000	2022 DKK '000
Prepayments		
Costs	581	371
	581	**371**

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Prepayments comprise incurred costs relating to subsequent financial years.

NOTES

	2023 DKK '000	2022 DKK '000	Note
Share Capital			7
Allocation of share capital:			
Shares, 7,600,000 unit in the denomination of 1 DKK	7,600	7,600	
	7,600	**7,600**	

Provision for deferred tax 8

The provision for deferred tax is related to differences between the carrying amount and tax value of securities, receivables, intangible and tangible fixed assets, including recognised finance lease contracts.

	2023 DKK '000	2022 DKK '000
Deferred tax, beginning of year	1,352	3,654
Deferred tax of the year, income statement	1,299	-2,424
Deferred tax of the year, equity	86	122
Provision for deferred tax 31 December 2023	**2,737**	**1,352**

			Note
Other provisions			9
0-1 år	500	0	
Other provisions include warranty provision.			

Long-term liabilities 10

	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Debt to mortgage credit institution	5,675	494	2,987	6,167
Lease liabilities	15,552	3,426	0	9,829
Other non-current liabilities	6,793	0	6,793	6,592
	28,020	**3,920**	**9,780**	**22,588**

NOTES

Note

Derivative financial instruments 11

The Company has entered into forward exchange rate contracts of NOK 12,495k. Unrealised net loss at 31 December 2023 amounts to DKK -377k.

The hedging instuments impact the Balance Sheet, Income Statement and Equity as follows:

	Hedges
Fair value at 31 December 2023	
Liabilities	-318
	-318
Value adjustment in the year recognised in the Income Statement	59
Value adjustment in the year recognised in Equity	-377

Contingencies etc. 12

	2023 DKK '000	2022 DKK '000
Lease liabilities (operating leases):		
Total liabilities under rental or lease agreements until maturity	6	76
	6	**76**

Charges and securities 13

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 18,481k and the carrying amount of mortgaged plant is DKK 5,674k.

Balance with bank loans is secured by way of a deposited letter of indemnity (company charge) of DKK 50,000k nominal.

The company charge comprises operating equipment, inventories of materials, simple claims arising from sale of goods and services and goodwill.

The carrying amount of the asset comprised by the company charge amounts to DKK 99,669k

Related parties 14

Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

ACCOUNTING POLICIES

The *Annual Report* of Norlax A/S for 2023 has been presented in accordance with the provisions of the Financial Statements Act for Danishmedium-size enterprises in reporting class C .

The *Annual Report* is prepared consistently with the accounting principles applied last year.

Change as a result of change in the classification
In the annual report for 2022 expenses were included in the itme Staff costs, which should have been correctly classified as Other external expenses.

The changed classification has been incorporated into the comparative figures of the annual report for 2023 and has the effect that the comparative figures for the itm Staff costs hve been reduced by DKK´000 7,244 and the item Other external expenses has been increased by DKK´000 7,244 in the income statement.

The changed classification entails that the Gross profit has been reduced by DKK´000 7,244. The change has no effect on net profit for 2022. The Equity and the Balance sheet total for 2022 have not been affected.

INCOME STATEMENT

Net revenue
Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of tangible assets, as well as salary refunds.

Cost of sales
Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses
Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, operating lease expenses, etc

Payments related to operating lease expenses and other lease agreements are recognised in the Income Statement over the contract period. The Company’s total liability concerning operating and other lease agreements are stated under contingencies, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the *Company's* employees.

Income from investments in subsidiaries
The Income Statement of the Parent Company recognises the proportional share of the results of subsidiaries determined according to the Parent Company’s accounting policies and after full elimination of intercompany profits/losses and deduction of amortisation of goodwill. resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company’s Income Statement.

Profits from sale are recognized, if the economic rights related to the sold subsidiaries are transferred. However, not before the profit is realised or regarded as realisable. Moreover, realised losses besides impairments are recognised when they are demonstrated.

ACCOUNTING POLICIES

Financial income and expenses
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Tangible fixed assets
Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life
Buildings	20 years
Production plant and machinery	10 years
Other plant, fixtures and equipment	3-10 years

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Lease contracts
Lease contracts relating to tangible fixed assets
for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the Balance Sheet as a liability and the interest portion of the lease payment is recognised in the Income Statement over the contract period.

All other lease contracts are considered to be operating leases. Payments related to operating leases and other rental agreements are recognised in the Income Statement over the contract period. The Company's total liability relating to operating leases and rental agreements is disclosed as contingencies etc.

Financial non-current assets
Investments in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

ACCOUNTING POLICIES

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying Equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses, and with addition of remaining additional values and goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement upon acquisition of the Equity interest. Where the negative goodwill is related to takeover of contingent liabilities, the negative goodwill is not recognised before the contingent liabilities are settled or cancelled.

Net revaluation of investments in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Profit and loss at disposal of investments in subsidiaries are determined as the difference between the net selling price and the carrying amount of the disposed investment at the time of sale, including non-depreciated excess values and goodwill. Profit and loss are recognised in the Income Statement under income from investments.

Investments in subsidiaries with negative equity value are measured at DKK 0. Any receivables with these companies are written off, to the extent that the receivable is uncollectible from a specifically assessed indication of impairment. To the extent that the Parent Company has a legal or actual obligation to cover a negative balance which exceeds the receivable, the remainder is recognised under provisions for liabilities.

Impairment of fixed assets
The carrying amount of tangible assets, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Inventories
Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

ACCOUNTING POLICIES

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank.

Equity
Fair value reserve for hedge accounting
The reserve includes the accumulated post-tax net change in the fair value of hedging transactions regarding hedge of future cash flows, and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows no longer are expected to be realised, or the hedging relationship is no longer effective. The reserve is not an undistributable reserve and may therefore constitute a negative amount.

Other provisions for liabilities
Other provisions for liabilities include the expected cost of warranty commitments and deferred tax.

The provision for liabilities is measured and recognised on the basis of experience with warranty work.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff 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 under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

ACCOUNTING POLICIES

Derivative financial instruments
Derivative financial instruments are initially recognised in the Balance Sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in the fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the Income Statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in the fair value of derivative financial instruments related to hedging of future cash flows are recognised in Equity to the extent, that the conditions for this purpose are fulfilled. The value adjustments are recognised in a fair value reserve for hedging for accounting purposes until the hedged transaction is realised or the hedging ceases is adjusted downward. Upon realisation the accumulated value of the hedging instrument together with the hedged transaction is recognised in the Income Statement, unless the hedging transaction results in recognition of a non-financial asset or a non-financial liability. In this case, the amount is transferred from Equity to the cost price or carrying amount of this asset or liability.

Where a hedging is no longer effective, in part or in full, the accumulated value in Equity is transferred in full or proportionally to the financial income or expenses in the Income Statement. Changes in the fair value of derivative financial instruments which the Company might elect not to transfer to hedging for accounting purposes are also recognised here. Tax on the movements in the hedging reserve is recognised, which is transferred to tax in the Income Statement as the reserve is being dissolved.

Foreign currency translation
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

ACCOUNTING POLICIES

Cash and cash equivalents:
Cash and cash equivalents include cash at bank and in hand and short-term securities, for which there is only negligible risk of changes in value, and which are readily negotiable for cash at bank and in hand.