Actona Company A/S

Smedegårdvej 6 A, Tvis, DK-7500 Holstebro

Annual Report for 1 September 2017 - 31 August 2018

CVR No 12 14 37 45

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/1 2019

Hans Henrik Kjølby
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Actona Company A/S for the financial year 1 September 2017 - 31 August 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2018 of the Company and of the results of the Company operations for 2017/18.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Holstebro, 19 November 2018

Executive Board

Torben Skov Villadsen
CEO

Board of Directors

Hans Henrik Kjølby Chairman	Torben Skov Villadsen	Ole Lund Andersen
Henrik Althoehn Henriksen		

Independent Auditor's Report

To the Shareholder of Actona Company A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2018 and of the results of the Company's operations for the financial year 1 September 2017 - 31 August 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Actona Company A/S for the financial year 1 September 2017 - 31 August 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor's responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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

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

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

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

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

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

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

- 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.

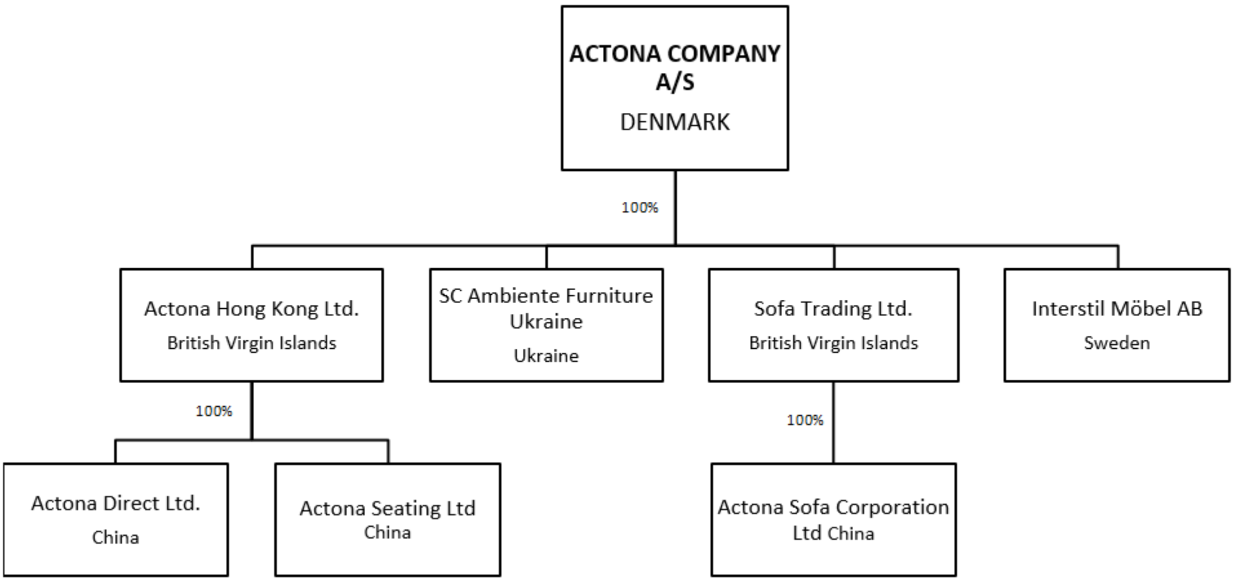
Holstebro, 19 November 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jesper Lund	Carsten Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne10845	mne10954

Company Information

The Company	Actona Company A/S Smedegårdvej 6 A Tvis DK-7500 Holstebro Telephone: + 45 96135111 E-mail: info@actonacompany.com Website: www.actonacompany.com CVR No: 12 14 37 45 Financial period: 1 September - 31 August Municipality of reg. office: Holstebro, Denmark
Board of Directors	Hans Henrik Kjølby, Chairman Torben Skov Villadsen Ole Lund Andersen Henrik Althoehn Henriksen
Executive Board	Torben Skov Villadsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 DK-7500 Holstebro
Lawyers	Kirk Larsen & Ascanius Bredgade 67 DK-6900 Skjern
Bankers	Sydbank A/S Dalgasgade 22 DK-7400 Herning

Group Chart



ACTONA COMPANY A/S
DENMARK
100%
Actona Hong Kong Ltd.
British Virgin Islands
SC Ambiente Furniture Ukraine
Ukraine
Sofa Trading Ltd.
British Virgin Islands
Interstil Möbel AB
Sweden
100%
Actona Direct Ltd.
China
Actona Seating Ltd
China
100%
Actona Sofa Corporation Ltd China

Financial Highlights

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

	2017/18	2016/17	(14 months) 2015/16	2014/15	2013/14
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1.733.109	1.227.298	1.396.795	1.245.202	1.118.314
Gross profit/loss	243.413	202.611	214.091	168.875	153.075
Profit/loss before financial income and expenses	81.552	87.525	83.671	53.820	39.114
Net financials	-19.903	13.104	14.774	17.511	-11.991
Net profit/loss for the year	44.419	81.983	81.436	56.323	20.028
Balance sheet					
Balance sheet total	490.056	627.634	506.824	474.492	491.018
Equity	157.716	194.381	232.501	206.981	162.142
Number of employees	280	218	221	234	253
Ratios					
Gross margin	14,0%	16,5%	15,3%	13,6%	13,7%
Profit margin	4,7%	7,1%	6,0%	4,3%	3,5%
Return on assets *)	16,6%	13,9%	14,2%	11,3%	8,0%
Solvency ratio	32,2%	31,0%	45,9%	43,6%	33,0%
Return on equity *)	25,2%	38,4%	31,8%	30,5%	24,7%

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.

*) The ratios for 2015/16 have been annualized to 12 months.

Management's Review

Financial Statements of Actona Company A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

As previous years, the Company's main activity has consisted in design, production, trading and distribution of furniture for retailers in more than 80 different countries.

Development in the year
The acquired activities of Interstil A/S

At the end of the accounting year 2016/17 balance sheet values for Interstil A/S was incorporated in the annual report for Actona Company A/S, and for this P/L for all the activities is reflected in the annual report.

During 2017/18 the total product program has been aligned and 2 brands (Interstil and Actona) are now marketed.

The merger of the activities have been fully implemented during the year with success.

At the end of the fiscal year the subsidiary Interstil Interior AB was divested.

The past year and follow-up on development expectations from last year

Revenue has increased with 41% from DKK 1.227 million in 2016/17 to DKK 1.733 million in 2017/18. The growth has been primarily derived from the acquired activities of Interstil A/S. Single digit organic growth have been realized in the year as well.

A substantial level of non-recurring costs totally DKK 28,9 million have been realized in connection with integrating the activities of Interstil A/S with those of Actona Company A/S.

Ebit for the year was as expected realized at DKK 81,6 million compared to DKK 87,5 million the previous year.

Net profit of DKK 44 million compared to DKK 82 million was lower than expected because of lower results from subsidiaries.

Management's Review

Capital resources

Cash flow from operating activities has been realized at a record level and exceed dividend distribution in the year, thereby reducing debt substantially.

At 31. August 2018 the equity was DKK 158 million compared to DKK 194 million last year.

For 2017/18 dividend distribution of DKK 40 million is proposed.

Special risks

Market risks

Actona Company A/S has no specific market risks apart from normal risk from raw material price developments, freight rate adjustments and general market risks.

Foreign exchange risks

Due to activities in a number of different countries, results, cash flows and equity are affected by the development in exchange rates and interest rates in respect of a number of currencies.

According to the Company's foreign exchange policy, efforts are made to hedge partly against commercial foreign exchange exposure. Hedging mainly takes place by means of forward exchange contracts to cover expected purchases.

Over the years, foreign exchange fluctuations have affected the Company's financial statements to a considerable extent, both positively and negatively.

Interest rate risks

The long-term loans from mortgage credit institutes, DKK 68,6 million, bear a fixed rate of interest. Based on the floating rate debt, moderate changes in the level of interest will not have any material, direct effect on earnings.

Credit risks

The Company endeavors to insure all its trade receivables in order to cover losses due to inability to pay. Despite this and efficient credit management, the granting of credit is, however, subject to ordinary commercial risk.

Management's Review

Strategy

Actona Company's vision is to achieve a position as one of the world's most attractive suppliers of furniture.

We wish to be the point of reference within the business for the segment for high-quality furniture with attractive prices and a wide consumer appeal. Through large-scale advantages, Actona Company offer a wide range of solutions designed to meet requirements throughout the value chain from design of the range of products over logistics solutions to price/quality level and services.

Actona Company A/S market its products through the brands Interstil and Actona.

Targets and expectations for the year ahead

Actona Company A/S expects a turnover at the same level as the past year. Profit is expected at a higher level than realized in 2017/18.

Intellectual capital resources

Readiness and adaptability are key strategic priorities of the Company. Therefore, the Company is constantly seeking to obtain new knowhow.

The Company obtains its unique knowhow primarily through the Company's permanent staff and its strategic business partners within product development

Statement of corporate social responsibility

Report of Corporate Social Responsibility is covered by CSR statement for the Group and can be viewed in the Management Review in the Annual Report 2017/18 for J.S. Reklame ApS, CVR no. 70990210, which can be obtained from www.cvr.dk.

Income Statement 1 September - 31 August

	Note	2017/18	2016/17
		TDKK	TDKK
Revenue		**1.733.109**	**1.227.298**
Other operating income		4.936	987
Expenses for raw materials and consumables		-1.405.879	-973.330
Other external expenses		-88.753	-52.344
Gross profit/loss		**243.413**	**202.611**
Staff expenses	1	-142.918	-107.113
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-18.943	-7.973
Profit/loss before financial income and expenses	2	**81.552**	**87.525**
Income from investments in subsidiaries	3	-16.036	16.315
Financial income	4	257	275
Financial expenses	5	-4.124	-3.486
Profit/loss before tax		**61.649**	**100.629**
Tax on profit/loss for the year	6	-17.230	-18.646
Net profit/loss for the year		**44.419**	**81.983**

Balance Sheet 31 August

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		0	10.579
Goodwill		2.082	0
Intangible assets	7	**2.082**	**10.579**
Land and buildings		95.109	101.269
Other fixtures and fittings, tools and equipment		4.915	3.056
Leasehold improvements		0	12
Property, plant and equipment	8	**100.024**	**104.337**
Investments in subsidiaries	9	45.841	67.941
Other receivables	10	4.982	10.720
Fixed asset investments		**50.823**	**78.661**
Fixed assets		**152.929**	**193.577**
Inventories	11	**98.836**	**140.025**
Trade receivables		173.666	189.428
Receivables from group enterprises		42.831	49.616
Other receivables		6.439	1.172
Prepayments	12	4.865	5.155
Receivables		**227.801**	**245.371**
Current asset investments		**4**	**5**
Cash at bank and in hand		**10.486**	**48.656**
Currents assets		**337.127**	**434.057**
Assets		**490.056**	**627.634**

Balance Sheet 31 August

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		967	967
Reserve for net revaluation under the equity method		0	4.392
Retained earnings		116.749	109.022
Proposed dividend for the year		40.000	80.000
Equity	13	**157.716**	**194.381**
Provision for deferred tax	14	3.273	5.341
Provisions		**3.273**	**5.341**
Mortgage loans		63.360	68.599
Long-term debt	15	**63.360**	**68.599**
Mortgage loans	15	5.233	5.237
Credit institutions		9.964	0
Trade payables		103.595	88.678
Payables to group enterprises		45.106	39.015
Corporation tax		19.765	23.396
Other payables		82.044	202.987
Short-term debt		**265.707**	**359.313**
Debt		**329.067**	**427.912**
Liabilities and equity		**490.056**	**627.634**

Subsequent events	16
Distribution of profit	17
Contingent assets, liabilities and other financial obligations	18
Related parties	19
Accounting Policies	20

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 September	967	4.392	109.022	80.000	194.381
Ordinary dividend paid	0	0	0	-80.000	-80.000
Exchange adjustments relating to foreign entities	0	-2.743	0	0	-2.743
Fair value adjustment of hedging instruments, end of year	0	0	2.127	0	2.127
Tax on adjustment of hedging instruments for the year	0	0	-468	0	-468
Net profit/loss for the year	0	-1.649	6.068	40.000	44.419
Equity at 31 August	**967**	**0**	**116.749**	**40.000**	**157.716**

Notes to the Financial Statements

		2017/18	2016/17
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	128.536	94.957
	Pensions	7.539	5.536
	Other social security expenses	3.816	3.204
	Other staff expenses	3.027	3.416
		142.918	**107.113**
	Including remuneration to the Executive Board and Board of Directors	**3.390**	**3.017**
	Average number of employees	**280**	**218**

2 Special items

At the end of financial year 2016/17, Actona Company A/S acquired the main part of the activities of Interstil A/S. In the financial year, Actona Company A/S incurred a number of costs related to the integration of the activities from Interstil A/S, including termination of agency agreements and rental contracts, impairment of ERP systems and close-down of certain activities in Sweden and China. The costs total DKK 28.9 million have been recognised at DKK 1.0 million in “Expenses for raw materials and consumables”, DKK 9.1 million in “Other external expenses, DKK 9.0 million in “Depreciation, amortisation and impairment of intangible assets and property, plant and equipment” and DKK 9.8 million in “Income from investments in subsidiaries”.

		2017/18	2016/17
		TDKK	TDKK
3	**Income from investments in subsidiaries**		
	Share of profits of subsidiaries	0	16.119
	Share of losses of subsidiaries	-16.043	0
	Change in intercompany profit om inventories purchased within the Group	7	196
		-16.036	**16.315**
4	**Financial income**		
	Interest received from group enterprises	61	109
	Other financial income	196	166
		257	**275**

	2017/18	2016/17
	TDKK	TDKK

5 Financial expenses

	2017/18 TDKK	2016/17 TDKK
Interest paid to group enterprises	0	42
Other financial expenses	4.124	3.444
	4.124	**3.486**

6 Tax on profit/loss for the year

	2017/18 TDKK	2016/17 TDKK
Current tax for the year	19.766	17.079
Deferred tax for the year	-2.068	2.133
	17.698	**19.212**
which breaks down as follows:		
Tax on profit/loss for the year	17.230	18.646
Tax on changes in equity	468	566
	17.698	**19.212**

7 Intangible assets

	Completed development projects	Goodwill
	TDKK	TDKK
Cost at 1 September	12.824	0
Additions for the year	0	2.191
Disposals for the year	-12.824	0
Cost at 31 August	0	2.191
Impairment losses and amortisation at 1 September	2.245	0
Amortisation for the year	0	109
Reversal of amortisation of disposals for the year	-2.245	0
Impairment losses and amortisation at 31 August	0	109
Carrying amount at 31 August	**0**	**2.082**
Amortised over		5 years

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 September	175.575	27.941	1.883	205.399
Additions for the year	710	3.436	0	4.146
Disposals for the year	0	-15.146	-1.883	-17.029
Cost at 31 August	176.285	16.231	0	192.516
Impairment losses and depreciation at 1 September	74.306	24.886	1.871	101.063
Depreciation for the year	6.870	1.373	0	8.243
Reversal of impairment and depreciation of sold assets	0	-14.943	-1.871	-16.814
Impairment losses and depreciation at 31 August	81.176	11.316	0	92.492
Carrying amount at 31 August	**95.109**	**4.915**	**0**	**100.024**
Depreciated over	25 years years	3-6 years years	5 years	

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
9 Investments in subsidiaries		
Cost at 1 September	69.571	32.321
Additions for the year	0	37.250
Disposals for the year	-7.500	0
Cost at 31 August	62.071	69.571
Value adjustments at 1 September	-1.630	-9.816
Net effect from merger and acquisition	0	-6.022
Disposals for the year	4.177	0
Exchange adjustment	-2.742	-2.107
Net profit/loss for the year	-16.042	16.119
Change in intercompany profit on inventories	7	196
Value adjustments at 31 August	-16.230	-1.630
Carrying amount at 31 August	**45.841**	**67.941**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Actona Hong Kong Ltd	British Virgin Islands	TUSD 50	100%
S.C. Ambiente Furniture Ukraine	Ukraine	TUAH 7.093	100%
Sofa Trading Limited	British Virgin Islands	TUSD 50	100%
Interstil Möbel AB	Sweden	TSEK 1.200	100%

10 Other fixed asset investments

	Other receiv-ables
	TDKK
Cost at 1 September	10.720
Disposals for the year	-5.738
Cost at 31 August	4.982
Carrying amount at 31 August	**4.982**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

11 Inventories

	2018 TDKK	2017 TDKK
Finished goods and goods for resale	98.836	140.025
	98.836	**140.025**

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

13 Equity

The share capital consists of 966,500 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

14 Provision for deferred tax

	2018 TDKK	2017 TDKK
Fixed asset investments	4.057	5.799
Inventories	-660	-660
Trade receivables	-264	-264
Other adjustments	140	466
	3.273	**5.341**

Deferred tax has been provided at 22% corresponding to the current tax rate.

Notes to the Financial Statements

15 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:

	2018	2017
	TDKK	TDKK
Mortgage loans		
After 5 years	42.465	47.677
Between 1 and 5 years	20.895	20.922
Long-term part	63.360	68.599
Within 1 year	5.233	5.237
	68.593	**73.836**

16 Subsequent events

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

17 Distribution of profit

	2017/18	2016/17
	TDKK	TDKK
Extraordinary dividend paid	0	45.000
Proposed dividend for the year	40.000	80.000
Reserve for net revaluation under the equity method	-1.649	4.392
Retained earnings	6.068	-47.409
	44.419	**81.983**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

18 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

	2018	2017
Land and buildings with a carrying amount of	95.109	101.269
Cash at bank and in hand	9.747	12.747

Contingent liabilities
The Danish entreprises of the group are jointly and severally liable for the tax on the Group's jointly taxed income etc. The total amount is stated in the Annual Report of J.S. Reklame Århus, ApS, which is the management company in the joint taxation.

In order to hedge the payment of interest on mortgage loans of DKK 68.6 million, the Company has entered into interest rate swaps. At the balance sheet date, the contracts have a negative value of DKK 8.7 million that has been recognised in equity.

Rental contracts and Lease obligations

	2018	2017
Total future payments:		
Within 1 year	10.575	13.493
Between 1 and 5 years	30.401	39.957
	40.976	**53.450**
Commitment regarding lease of buildings with non-concellable periods up to 5 years	37.765	44.295

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
A.C. Holding A/S	Brabrand, parent company
J.S. Reklame, Århus ApS	Brabrand, ultimate owner

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

A.C. Holding A/S, Brabrand

Consolidated Financial Statements

The company is included in the Group Annual Report of:

Name	Place of registered office
J.S. Reklame, Århus ApS, CVR-nr: 70 99 02 10	Sødalsparken 18, 8220 Brabrand, Denmark

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Actona Company A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017/18 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of J.S. Reklame, Århus ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Notes to the Financial Statements

20 Accounting Policies (continued)

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

The entity is recognized as a single business unit, trading one type of product and operating on a single geographical market. As a result of this, it is not relevant to segment the revenue into business units and geographical markets.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 Danish related companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

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:

Buildings	25 years
Other fixtures and fittings,	
tools and equipment	3-6 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of If so, an important test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment. are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Investments in subsidiaries

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

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

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

Other fixed asset investments

Other fixed asset investments consist of other receivables.

Notes to the Financial Statements

20 Accounting Policies (continued)

Inventories

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

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

The cost of goods for resale, raw materials and consumables 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, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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