BEIERHOLM
VI SKABER BALANCE

MUSIC Group Commercial DK A/S

Sindalsvej 34, 8240 Risskov

CVR no. 12 90 07 32

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 09.07.19

Martin Hjort
Dirigent

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Company information etc.

The company

MUSIC Group Commercial DK A/S
Sindalsvej 34
8240 Risskov
Registered office: Risskov
CVR no.: 12 90 07 32
Financial year: 01.01 - 31.12

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias
Vanessa Cancio Raymundo
Cheryl Saldaña De Leon

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.18 - 31.12.18 for MUSIC Group Commercial DK A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.18 and of the results of the the company's activities for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Risskov, April 15, 2019

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias Chairman	Vanessa Cancio Raymundo	Cheryl Saldaña De Leon

Independent auditor's report

To the Shareholder of MUSIC Group Commercial DK A/S

Opinion

We have audited the financial statements of MUSIC Group Commercial DK A/S for the financial year 01.01.18 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with 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 31.12.18 and of the results of the company's operations for the financial year 01.01.18 - 31.12.18 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing 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.

- 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 regarding the 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 Acts. We did not identify any material misstatement of management's review.

Aarhus, April 15, 2019

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Helle Damsgaard Jensen
State Authorized Public Accountant
MNE-no. mne33690

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000 '000	2018	2017	2016	01.07.14 31.12.15	2013/14
Profit/loss					
Gross profit	135	62,566	46,176	74,754	38,178
Index	-	164	121	196	100
Operating profit/loss	-491	36,042	18,830	19,071	-1,977
Index	25	-1,823	-952	-965	100
Total net financials	6,386	-11,102	4,477	5,196	1,374
Index	465	-808	326	378	100
Profit/loss for the year	4,598	19,505	17,739	18,549	-875
Index	-525	-2,229	-2,027	-2,120	100
Balance					
Total assets	159,396	212,196	161,645	139,087	109,623
Index	145	194	147	127	100
Equity	88,441	83,796	64,287	46,602	28,053
Index	315	299	229	166	100

Ratios

	2018	2017	2016	01.07.14 31.12.15	2013/14
Profitability					
Return on equity	5%	26%	32%	50%	-2%
Equity ratio					
Equity interest	55%	39%	40%	34%	26%
Others					
Number of employees (average)	0	6	36	53	53

The financial year 2014/15 was extended to 18 months due to change of Balance Sheet date to 31 December. The reason was alignment of the Balance Sheet to the new Parent Company, MUSIC Group Limited.

Other years presented contain a 12 month's period.

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

The ratios have been computed in accordance with the recommendations of the Danish Society of Financial Analysts (Den Danske Finansanalytikerforening).

Primary activities

MUSIC Group Commercial DK A/S sells and distributes products for the professional audio market.

The Company has entered into sales and distribution agreements with the affiliated subsidiaries: MUSIC Tribe Brands DK A/S, MUSIC Group Innovation SC Ltd., MUSIC Tribe Brands SE AB and MUSIC Group Innovation CA Inc.

The primary geographical markets are Europe and Asia.

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a profit/loss of DKK'000 4,598 against DKK'000 19,505 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of DKK'000 88,441.

A change in the global sales strategy was made in previous years, which resulted in the gradual closure of the sales activities in company. The sales activities in 2018 was as a result therefore minimal.

In light of the Company's expectations for the operating results for the year, the operating results achieved are regarded as satisfactory.

The Company's subsidaries have had no activity in the year.

Outlook

The Company expects to be merged with MUSIC Tribe Brands DK A/S in 2019/2020.

Special risks

Currency risks

Almost all sales are invoiced in foreign currencies, which mainly relates to USD and EUR. In accordance with The TC Group A/S's strategy in this area, the Company is on a current basis seeking, to the extent possible, to participate in The TC Group's matching currencies against purchase and cost currencies.

Liquidity risks

The Company's necessary cash resources are ensured through the cooperation with The TC Group A/S's finance function.

Credit risks

The most material credit risk relates to the Company's trade receivables. The Company performs individual customer credit ratings on a current basis. No individual customer constitutes a major part of the Company's total sales.

External environment

The Company's activities are not assessed to have adverse environmental impact regards noise, smoke, discharge of waste and massive use of energy.

Subsequent events

No important events have occurred after the end of the financial year.

Corporate social responsibility

Music Group Commercial A/S is part of a global enterprise. The company’s activities are concentrated around sales. The primary workplaces are ”office workplaces”. Therefore, the Company’s activities are not assessed to have adverse environmental and climate impact as regards noise, smoke, discharge of waste products and massive use of energy and consequently, the Company has no actual environmental and climate policy.

The Company is however seeking on a current basis to optimize energy consumption, primarily for heating and has in several occasions carried out energy measurements. Subsequently, the Company has implemented several of the recommendations listed by the energy reports.

The Company has prepared a code of conduct for suppliers which is to support the same responsibility as that prescribed by the Company’s internal policies. Among other things, the code of conduct prescribes the following:

- No child labor
- Remuneration and working hours to follow local agreements and standards
- Responsibility towards the environment with focus on limitation of climate and environmental impact

The code of conduct thus intends to ensure that suppliers comply with the Company’s policies concerning child labor, forced labor, human rights, corruption and environmental and climate impact. The code of conduct is part of the Company’s basis for the contracts entered into with new suppliers, and the code of conduct is discussed before a contract is entered into. In case of large contracts, a visit is paid to the supplier in order to check whether the Company’s code of conduct is complied with.

Furthermore, the Company pays control visits to existing suppliers on a continuous basis in order to make sure that the code of conduct is complied with.

In the Group's opinion, the strategy, to ensure partnership agreements and long-term relations, is of great value in relation to securing the Company's policies. The Company's sales are effected in accordance with the Group policy of complying with international guidelines for trade and sanctions as enforced by the UN and the EU.

The Group has no other significant formalized policies.

Target figure for the underrepresented gender

Target figures for the Board of Directors

The Company believes that diversity among the employees, including representative distribution of genders, ethnicity and nationality, contributes positively to the working environment and strengthens the Company's performance and competitive power.

The objective at all management levels is to fill management positions based on the qualifications and competences required for the Company's business and at the same time ensure that diversity is reflected both in management bodies and among other employees.

The Group is represented internationally, and this organization ensures extensive diversity in the Company's management bodies. In order to ensure a representative gender distribution, the Group is seeking to increase the number of female leaders in the Company. At present, 2 out of 3 members of the Board of Directors are women. The company has therefore obtained equal distribution on gender and hence no new target figure has been set. At other management levels (Executive Board, other directors and managers), it is also the Group's objective to ensure a gender distribution that is representative for the sector. At present, the underrepresented gender's share is 0%.

Income statement

Note		2018 DKK '000	2017 DKK '000
1	**Revenue**	**2,676**	**353,213**
	Production costs	-2,541	-290,647
	Gross profit	**135**	**62,566**
	Distribution costs	-293	-5,069
	Administrative expenses	-333	-21,455
	Profit/loss before net financials	**-491**	**36,042**
	Income from equity investments in group enterprises	-2	-94
3	Financial income	6,544	2,600
	Financial expenses	-156	-13,608
	Profit/loss before tax	**5,895**	**24,940**
	Tax on profit or loss for the year	-1,297	-5,435
	Profit/loss for the year	**4,598**	**19,505**

4 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.18 DKK '000	31.12.17 DKK '000
	Plant and machinery	7	11
	Other fixtures and fittings, tools and equipment	7	19
6	**Total property, plant and equipment**	**14**	**30**
7	Equity investments in group enterprises	16,281	16,235
	Total investments	**16,281**	**16,235**
	Total non-current assets	**16,295**	**16,265**
	Trade receivables	879	6,719
	Receivables from group enterprises	134,914	120,334
9	Deferred tax asset	114	150
	Other receivables	1,084	12,346
	Total receivables	**136,991**	**139,549**
	Other investments	24	35
	Total securities and equity investments	**24**	**35**
	Cash	**6,086**	**56,346**
	Total current assets	**143,101**	**195,930**
	Total assets	**159,396**	**212,195**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 DKK '000	31.12.17 DKK '000
8	Share capital	3,081	3,081
	Retained earnings	85,360	80,715
	Total equity	**88,441**	**83,796**
	Trade payables	0	552
	Payables to group enterprises	69,384	106,271
	Income taxes	1,262	5,493
	Other payables	309	16,083
	Total short-term payables	**70,955**	**128,399**
	Total payables	**70,955**	**128,399**
	Total equity and liabilities	**159,396**	**212,195**

10 Contingent liabilities
11 Charges and security
12 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings
Statement of changes in equity for 01.01.18 - 31.12.18		
Balance pr. 01.01.18	3,081	80,715
Foreign currency translation adjustment of foreign enterprises	0	47
Net profit/loss for the year	0	4,598
Balance as at 31.12.18	3,081	85,360

	2018 DKK '000	2017 DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Electronics	2,545	247,163
Speakers	131	106,050
Total	2,676	353,213

Revenue comprises the following geographical markets:

Europe	1,942	272,572
North America	12	14,825
Rest of the world	722	65,816
Total	2,676	353,213

2. Employee aspects

Wages and salaries	239	3,051
Other social security costs	-29	-462
Other staff costs	-3	60
Total	207	2,649

Total staff costs comprise:

Distribution costs	173	3,987
Administrative expenses	33	-1,338
Total	206	2,649

Average number of employees during the year	0	6

	2018 DKK '000	2017 DKK '000

3. Financial income

	2018 DKK '000	2017 DKK '000
Interest, group enterprises	664	2,156
Other interest income	-20	441
Foreign exchange gains	5,900	3
Other financial income	5,880	444
Total	6,544	2,600

4. Distribution of net profit

	2018 DKK '000	2017 DKK '000
Retained earnings	4,598	19,505

5. Intangible assets

Figures in DKK '000	Acquired rights
Cost pr. 01.01.18	13
Cost as at 31.12.18	13
Amortisation and impairment losses pr. 01.01.18	-13
Amortisation and impairment losses as at 31.12.18	-13
Carrying amount as at 31.12.18	0

6. Property, plant and equipment

Figures in DKK '000	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost pr. 01.01.18	276	43
Cost as at 31.12.18	276	43
Depreciation and impairment losses pr. 01.01.18	-265	-24
Depreciation during the year	-4	-12
Depreciation and impairment losses as at 31.12.18	-269	-36
Carrying amount as at 31.12.18	7	7

7. Equity investments in group enterprises

Figures in DKK '000 '000	Equity investments in group enterprises
Cost pr. 01.01.18	21,622
Cost as at 31.12.18	21,622
Revaluations pr. 01.01.18	-5,387
Foreign currency translation adjustment of foreign enterprises	48
Net profit/loss from equity investments	-2
Revaluations as at 31.12.18	-5,341
Carrying amount as at 31.12.18	16,281

7. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest
Group enterprises:	
TC Electronic Deutschland GmbH, Tyskland	100%
TC Works Soft- & Hardware GmbH, Tyskland	100%

8. Share capital

The share capital consists of:

	Shares	Nominal value, DKK'000
Share capital	3,081	1

9. Deferred tax

Additions relating to mergers and acquisition of enterprises pr. 01.01.18	149	178
Deferred tax recognised in the income statement	-35	-29
Additions relating to mergers and acquisition of enterprises as at 31.12.18	114	149

10. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company THE TC GROUP A/S.

11. Charges and security

The enterprise has provided a company charge of DKK 100,000k as security for the Group's debt to credit institutions. As at 31.12.18, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights, DKK 0k
- Other plant, fixtures and fittings, tools and equipment, DKK 14k
- Inventories, DKK 0k
- Trade receivables, DKK 879k
- Other recievables, DKK 47k

12. Related parties

Controlling influence:	Basis of influence
THE TC GROUP A/S	Controlling shareholder
MUSIC Group Limited, Bermuda	Controlling shareholder of The TC Group A/S
DTOS Trustees, Ltd., Mauritius	Controlling shareholder os MUSIC Group Limited

Transaction	Relation	2018 DKK'000
Sales of goods and services	Music Group	588
Interest expenses	Music Group	644

Balances	31.12.18 DKK'000
Receivables from group enterprises	134,914
Payables to group enterprises	-69,384

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment. No write-downs have been made on the receivables.

The interest rate on receivable from the parent The TC Group A/S totalling kDKK 133 was 4% during the year while other loans and recievables did not carry any interests.

The company is included in the consolidated financial statements of the parent THE TC GROUP A/S.

13. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of THE TC GROUP A/S, , CVR no. 21 37 86 07, which prepares consolidated financial statements.

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 depreciation, amortisation, impairment losses and write-downs, 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 such assets 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 such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

13. Accounting policies - continued -

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

13. Accounting policies - continued -

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Amortisation and impairment losses

The amortisation of intangible assets aim at systematic amortisation over the expected useful lives of the assets. Assets are amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3	0
Plant and machinery	3-5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and

13. Accounting policies - continued -

impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

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, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

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

Property, plant and equipment

Property, plant and equipment comprise plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Amortisation and impairment

13. Accounting policies - continued -

losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises’ equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

13. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

13. Accounting policies - continued -

Current 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 as income tax under 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. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

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.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.