
Primagaz Danmark A/S

Sandvadsvej 11, DK-4600 Køge

Annual Report for 1 January - 31 December 2017

CVR No 13 08 09 76

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2018

Duncan Bruce Osborne
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Primagaz Danmark A/S for the financial year 1 January - 31 December 2017.

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 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Køge, 25 May 2018

Executive Board

Duncan Bruce Osborne

Board of Directors

Anna Maria Helena Schöningh
Chairman

Michael Kossack

Duncan Bruce Osborne

Independent Auditor's Report

To the Shareholder of Primagaz Danmark A/S

Opinion

We have audited the Financial Statements of Primagaz Danmark A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies ("Financial Statements"). 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 the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company operations for the financial year 1 January - 31 December 2017 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' 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 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 financial statement users taken on the basis of these Financial Statements.

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

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.

Copenhagen, 25 May 2018

KPMG P/S

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Morten Høgh-Petersen

State Authorised Public Accountant

mne34283

Company Information

The Company

Primagaz Danmark A/S
Sandvadsvej 11
DK-4600 Køge

Telephone: + 45 5663 1220
Facsimile: + 45 5663 4119
E-mail: office@primagaz.dk
Website: www.primagaz.dk

CVR No: 13 08 09 76
Financial period: 1 January - 31 December
Municipality of reg. office: Køge

Board of Directors

Anna Maria Helena Schöningh, Chairman
Michael Kossack
Duncan Bruce Osborne

Executive Board

Duncan Bruce Osborne

Auditors

KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Lawyers

Bech-Bruun Law Firm
Langelinie Allé 35
DK-2100 København Ø

Bankers

Danske Bank
Holmens Kanal 2
DK-1090 København K

Financial Highlights

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

	<u>2017</u> TDKK	<u>2016</u> TDKK	<u>2015</u> TDKK	<u>2014</u> TDKK	<u>2013</u> TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	-1,226	-15,355	19,245	9,043	7,474
Net financials	-846	-612	-1,771	-1,693	-1,825
Net profit/loss for the year	-1,623	-12,460	13,460	5,521	4,486
Balance sheet					
Balance sheet total	124,813	121,890	103,637	121,202	128,363
Equity	28,352	29,975	55,435	41,975	41,954
Investment in property, plant and equipment	7,447	7,423	-4,459	6,130	2,313
Number of employees	51	45	46	46	44
Ratios					
Return on assets	-1.0%	-12.6%	18.6%	7.5%	5.8%
Solvency ratio	22.7%	24.6%	53.5%	34.6%	32.7%
Return on equity	-5.6%	-29.2%	27.6%	13.2%	10.7%

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.

Management's Review

Key activities

Primagaz Danmark A/S is a subsidiary of the world's leading LPG company SHV Energy NV. SHV Energy is a family-owned multinational organisation that consists of a group of specialised energy companies. These companies provide people and businesses with decentralised personalised energy solutions and services. Our customers often live or work in areas beyond the natural gas grid and rely on our companies for their most important energy sources.

Primagaz Danmark, is engaged in distributing LPG/Propane to meet the energy needs of variety of customers. Primagaz provides reliable bulk LPG/Propane supplies to various customers in domestic, industrial, commercial and agricultural segment.

Primagaz also sells LPG/Propane in cylinders of various sizes to both domestic and professional customers.

Primagaz Danmark A/S is the head office and Shared Service Center for the Scandinavian activities within SHV Energy, consisting of similar LPG/Propane activities and businesses in Sweden and Norway.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 1,622,782, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 28,351,991.

The sale of LPG in Denmark has developed positively during 2017. The year 2017 has witnessed continued volatility in International Propane prices and exchange rates.

The total cost estimate for the ongoing recall and replace program for the Compolite CS composite cylinder was adjusted upwards affecting the 2017 result with a cost of DKK 13.1 million.

The decision by the Danish Work Environment Authority to withdraw the cylinders approval from the Danish market is still under review by the EU Commission. Pending the EU Commission ruling Primagaz may have the right to claim damages. However the outcome is presently connected with significant uncertainty.

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

Due to the unexpected impact of the recall and replace program results of the year have not met expectations.

Management's Review

Strategy and objectives

Strategy

Primagaz Danmark A/S wishes to maintain and enhance its position in the Danish energy market primarily based on a long-term strategy. The keen competition in the LPG market is expected to continue.

As established head office for the Scandinavian activities of SHV Energy, Primagaz Danmark A/S wishes to maintain and develop the position of SHV Energy in the Scandinavian energy market.

Targets and expectations for the year ahead

It is expected that volatility in the crude prices may continue to affect LPG/Propane-market in 2018. The effect of weather will continue to play a key determinant towards overall energy market including LPG. However, a satisfactory total result is expected.

External environment

Safety

SHV Energy has safety as its main issue and Primagaz Danmark A/S is constantly spending significant resources to further improve health and safety conditions for employees, customers and environment.

Compliance

Primagaz Danmark A/S' policy is to make own commercial decisions based on our supreme interest of being entirely independent from the interest of competitors.

Our commercial decisions are made in conformity with a principle of securing an open market economy with free competition. It means that we avoid any conduct which may offend the EU and the national rules and law of competition.

All employees are continuously trained in our Compliance Program.

Unusual events

As previously noted the year was impacted by the recall and replace programme.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		36,274,266	17,547,878
Staff expenses	1	-29,541,977	-24,053,116
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-7,958,286	-8,849,427
Profit/loss before financial income and expenses	3	-1,225,997	-15,354,665
Financial income	4	454,659	456,708
Financial expenses	5	-1,301,155	-1,068,333
Profit/loss before tax		-2,072,493	-15,966,290
Tax on profit/loss for the year	6	449,711	3,506,488
Net profit/loss for the year		-1,622,782	-12,459,802

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Goodwill		3,998,861	5,613,257
Intangible assets	7	3,998,861	5,613,257
Land and buildings		4,365,868	3,501,179
Plant and machinery		11,529,132	13,258,521
Other fixtures and fittings, tools and equipment		6,150,834	4,159,783
Property, plant and equipment	8	22,045,834	20,919,483
Other receivables		190,535	111,800
Fixed asset investments	9	190,535	111,800
Fixed assets		26,235,230	26,644,540
Finished goods and goods for resale		44,307,241	40,627,809
Inventories		44,307,241	40,627,809

Balance 31. december

Assets

	Note	2017 DKK	2016 DKK
Trade receivables		38,757,520	34,210,999
Receivables from group enterprises		165,094	1,425,626
Other receivables		3,663,983	114,021
Deferred tax	10	1,897,308	1,679,618
Corporation tax receivable from group enterprises		93,034	0
Prepayments	11	613,420	452,833
Receivables		45,190,359	37,883,097
Cash at bank and in hand		9,079,910	16,734,342
Currents assets		98,577,510	95,245,248
Assets		124,812,740	121,889,788

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		13,200,000	13,200,000
Retained earnings		15,151,991	16,774,773
Equity	12	28,351,991	29,974,773
Other provisions	13	17,549,918	18,214,686
Provisions		17,549,918	18,214,686
Payables to group enterprises		26,058,209	41,631,509
Other payables		0	142,200
Long-term debt	14	26,058,209	41,773,709
Credit institutions		2,639,458	78,134
Trade payables		16,381,488	11,969,254
Payables to group enterprises	14	16,413,983	326,351
Other payables	14	15,962,472	18,435,242
Deferred income	15	1,455,221	1,117,639
Short-term debt		52,852,622	31,926,620
Debt		78,910,831	73,700,329
Liabilities and equity		124,812,740	121,889,788
Distribution of profit	16		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Subsequent events	19		
Accounting Policies	20		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	13,200,000	16,774,773	29,974,773
Net profit/loss for the year	0	-1,622,782	-1,622,782
Equity at 31 December	<u>13,200,000</u>	<u>15,151,991</u>	<u>28,351,991</u>

Notes to the Financial Statements

	2017	2016
	DKK	DKK
1 Staff expenses		
Wages and salaries	26,773,155	21,535,210
Pensions	2,439,271	2,121,521
Other social security expenses	329,551	396,385
	<u>29,541,977</u>	<u>24,053,116</u>
Average number of employees	<u>51</u>	<u>45</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	1,614,396	1,614,396
Depreciation of property, plant and equipment	6,343,890	7,235,031
	<u>7,958,286</u>	<u>8,849,427</u>

3 Special items

Special items include significant revenues and expenses that have a special character in relation to the company's normal operations. This includes costs from restructuring and associated incomes and losses on disposals of fixed assets that are of major importance over time. Special items also include other significant non-recurring costs.

As mentioned in the management's review, the result of the year is affected by the order from the Danish Work Environment Authority regarding the recall of Compolite CS composite cylinders. This event differs from what management considers as part of the primary operations.

Impairment losses of inventories and provision for losses, related to the order of replacement for Danish consumers. (Included in gross profit/loss)	13,100,000	39,300,000
	<u>13,100,000</u>	<u>39,300,000</u>

Notes to the Financial Statements

	2017 <u>DKK</u>	2016 <u>DKK</u>
4 Financial income		
Interest received from group enterprises	272,922	361,150
Other financial income	36,574	34,061
Exchange gains	145,163	61,497
	<u>454,659</u>	<u>456,708</u>
5 Financial expenses		
Interest paid to group enterprises	989,017	676,394
Other financial expenses	110,808	208,906
Exchange loss	201,330	183,033
	<u>1,301,155</u>	<u>1,068,333</u>
6 Tax on profit/loss for the year		
Current tax for the year	-232,021	0
Deferred tax for the year	-217,690	-3,506,488
	<u>-449,711</u>	<u>-3,506,488</u>
7 Intangible assets		<u>Goodwill</u> DKK
Cost at 1 January		<u>32,973,515</u>
Cost at 31 December		<u>32,973,515</u>
Impairment losses and amortisation at 1 January		27,360,258
Amortisation for the year		<u>1,614,396</u>
Impairment losses and amortisation at 31 December		<u>28,974,654</u>
Carrying amount at 31 December		<u>3,998,861</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK	DKK	DKK
Cost at 1 January	22,049,936	49,552,001	13,544,664
Additions for the year	1,648,945	3,195,584	2,642,511
Disposals for the year	0	-534,000	-20,367
Cost at 31 December	<u>23,698,881</u>	<u>52,213,585</u>	<u>16,166,808</u>
Impairment losses and depreciation at 1 January	18,548,757	36,293,480	9,384,881
Depreciation for the year	784,256	4,908,173	651,460
Reversal of impairment and depreciation of sold assets	0	-517,200	-20,367
Impairment losses and depreciation at 31 December	<u>19,333,013</u>	<u>40,684,453</u>	<u>10,015,974</u>
Carrying amount at 31 December	<u>4,365,868</u>	<u>11,529,132</u>	<u>6,150,834</u>

9 Fixed asset investments

	Other receiv- ables
	DKK
Cost at 1 January	111,800
Additions for the year	78,735
Cost at 31 December	<u>190,535</u>
Carrying amount at 31 December	<u>190,535</u>

Notes to the Financial Statements

	2017	2016
	DKK	DKK
10 Deferred tax		
Deferred tax asset at 1 January	1,679,618	-1,826,870
Amounts recognised in the income statement for the year	217,690	3,506,488
Deferred tax asset at 31 December	1,897,308	1,679,618
Intangible assets	879,749	1,215,138
Property, plant and equipment	1,099,567	1,298,389
Amortization	-15,642	-46,926
Hensættelser	-3,860,981	-4,007,232
Tax loss carry-forward	-1	-138,987
Transferred to deferred tax asset	1,897,308	1,679,618
	0	0

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

Deferred tax asset

Calculated tax asset	1,897,308	1,679,618
Carrying amount	1,897,308	1,679,618

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

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

12 Equity

The share capital consists of 26,400 shares of a nominal value of DKK 500. No shares carry any special rights.

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

Notes to the Financial Statements

	<u>2017</u>	<u>2016</u>
	DKK	DKK
13 Other provisions		
As mentioned in the management's review, the Danish Work Environment Authority has declared an order regarding the recall of Compolite CS composite cylinders. Provisions is to counter for cylinders not replaced per 31. December 2017. The provision are an expression of the best estimate of Management, but by nature it is associated with some degree of uncertainty. See note 3.		
Other provisions	<u>17,549,918</u>	<u>18,214,686</u>
	<u>17,549,918</u>	<u>18,214,686</u>
The provisions are expected to mature as follows:		
Within 1 year	11,699,645	12,750,280
Between 1 and 5 years	<u>5,849,973</u>	<u>5,464,406</u>
	<u>17,549,618</u>	<u>18,214,686</u>
14 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:		
Payables to group enterprises		
Between 1 and 5 years	26,058,209	41,631,509
Long-term part	<u>26,058,209</u>	<u>41,631,509</u>
Other short-term debt to group enterprises	<u>16,413,983</u>	<u>326,351</u>
	<u>42,472,192</u>	<u>41,957,860</u>
Other payables		
Between 1 and 5 years	<u>0</u>	<u>142,200</u>
Long-term part	<u>0</u>	<u>142,200</u>
Within 1 year	142,200	284,400
Other short-term payables	<u>15,820,272</u>	<u>18,150,842</u>
Short-term part	<u>15,962,472</u>	<u>18,435,242</u>
	<u>15,962,472</u>	<u>18,577,442</u>

Notes to the Financial Statements

15 Deferred income

Deferred income consists of received rental payments for the next year etc.

16 Distribution of profit

	<u>2017</u> DKK	<u>2016</u> DKK
Retained earnings	-1,622,782	-12,459,802
	<u>-1,622,782</u>	<u>-12,459,802</u>

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1,518,277	1,286,857
Between 1 and 5 years	<u>2,523,533</u>	<u>2,180,809</u>
	<u>4,041,810</u>	<u>3,467,666</u>

Rental obligation buildings, period of non-terminability up to 24 mth	860,723	1,143,146
Lease obligation buildings, period of non-terminability 12 years (right to purchase on 1 July 2020)	8,757,245	9,679,060

Other contingent liabilities

As part of the company's general trading activities and cooperation with other parties within Danish energy logistics, the company is subject to general business risks associated with these activities.

The company is part of joint taxation with other Danish companies in the group, and is jointly and severally liable for Tax on the group's jointly taxed income and for certain possible withholding taxes, such as dividend tax and royalty tax, and for joint registration of VAT. Any subsequent corrections of the taxable joint taxation income or withholding tax on dividends etc. could lead to a larger amount of corporate liability. The Group as a whole is not liable to others.

Notes to the Financial Statements

18 Related parties

Basis

Controlling interest

SHV Energy NV, Hoofddorp, Holland / The Netherlands Main shareholder

Transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

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:

SHV Energy NV, Hoofddorp, Holland / The Netherlands

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest group:

Name	Place of registered office
SHV Holdings N.V.	The Netherlands

The Group Annual Report of SHV Holdings N.V. may be obtained at the following address:

SHV Holdings N.V.
Rijnkade 1
3511 LC Utrecht
The Netherlands

19 Subsequent events

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

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Primagaz Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

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 SHV Holdings N.V., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

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.

Cost of goods sold

Cost of goods sold 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 office 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.

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 income from management fees.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

20 Accounting Policies (continued)

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 a group company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill is amortised on a straight-line basis over the useful life determined within the individual business areas. The amortisation period is usually 5 years but may in certain cases be up to 20 years for enterprises acquired for strategic purposes with a strong market position and a long-term earnings profile if the longer amortisation period is considered to reflect better the value in use of the resources in question.

Property, plant and equipment

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

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

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

Buildings	20 years
Buildings on leased land	10-40 years
Plant and machinery	5-20 years
Other fixtures and fittings, tools and equipment	2-6 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Notes to the Financial Statements

20 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

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

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

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and similar items.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of substitution of Primadonna gas cylinders on demand. Provisions are measured and recognised based on the Managements expectation to the coming substitutions of Primadonna gas cylinders without charge.

Notes to the Financial Statements

20 Accounting Policies (continued)

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.

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.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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