
Primagaz Danmark A/S

Sandvadsvej 11, DK-4600 Køge

Annual Report for 1 January - 31 December 2018

CVR No 13 08 09 76

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/5 2019

Duncan Bruce Osborne
Chairman of the General
Meeting

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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 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 December 2018 of the Company and of the results of the Company operations for 2018.

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, 22 May 2019

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 2018, 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 2018 and of the results of the Company operations for the financial year 1 January - 31 December 2018 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, 22 May 2019

KPMG P/S

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Morten Høgh-Petersen

statsautoriseret revisor

mne34283

Company Information

The Company

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Sandvadsvej 11
DK-4600 Køge

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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:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	-2,163	-1,226	-15,355	19,245	9,043
Net financials	-927	-846	-612	-1,771	-1,693
Net profit/loss for the year	-2,417	-1,623	-12,460	13,460	5,521
Balance sheet					
Balance sheet total	141,196	124,813	121,890	103,637	121,202
Equity	25,935	28,352	29,975	55,435	41,975
Investment in property, plant and equipment	21,401	7,447	7,423	4,459	6,130
Number of employees	60	51	45	46	46
Ratios					
Return on assets	-1.5%	-1.0%	-12.6%	18.6%	7.5%
Solvency ratio	18.4%	22.7%	24.6%	53.5%	34.6%
Return on equity	-8.9%	-5.6%	-29.2%	27.6%	13.2%

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 ("the Company") 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.

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

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

The Company 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 2018 shows a loss of DKK 2,416,589, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 25,935,402.

The sale of LPG in Denmark has developed positively during 2018. The year 2018 has witnessed continued volatility in International Propane prices and exchange rates.

In our statement of 2017, it was outlined that the decision by the Danish Work Environment Authority to withdraw the cylinders approval from the Danish market was under review by the EU Commission. The review was finalized in 2018. The outcome of the review was to advantage of the Danish Work Environment Authority. As the cost of the withdraw is already included in the statements of 2016 and 2017, no further impact is expected.

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

Due to the volatility in the crude prices and the keen competition in the LPG market, the year has not met the financial expectations.

Management's Review

Strategy and objectives

Strategy

The Company 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, the Company 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

The Company'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.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		45,259,598	36,274,266
Staff expenses	1	-39,531,732	-29,541,977
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-7,890,672	-7,958,286
Profit/loss before financial income and expenses	3	-2,162,806	-1,225,997
Financial income	4	53,989	454,659
Financial expenses	5	-980,846	-1,301,155
Profit/loss before tax		-3,089,663	-2,072,493
Tax on profit/loss for the year	6	673,074	449,711
Net profit/loss for the year		-2,416,589	-1,622,782

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Goodwill		3,207,753	3,998,861
Intangible assets	7	3,207,753	3,998,861
Land and buildings		3,723,692	4,365,868
Plant and machinery		17,396,081	11,529,132
Other fixtures and fittings, tools and equipment		12,393,551	6,150,834
Property, plant and equipment in progress		2,761,144	0
Property, plant and equipment	8	36,274,468	22,045,834
Other receivables		231,685	190,535
Fixed asset investments	9	231,685	190,535
Fixed assets		39,713,906	26,235,230
Finished goods and goods for resale		45,785,767	44,307,241
Inventories		45,785,767	44,307,241
Trade receivables		35,898,590	38,757,520
Receivables from group enterprises		1,633,039	165,094
Other receivables		508,358	3,663,983
Deferred tax	10	3,627,619	1,897,308
Corporation tax		1,299,000	93,034
Prepayments	11	923,913	613,420
Receivables		43,890,519	45,190,359
Cash at bank and in hand		11,805,549	9,079,910
Currents assets		101,481,835	98,577,510
Assets		141,195,741	124,812,740

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		13,200,000	13,200,000
Retained earnings		12,735,402	15,151,991
Equity	12	25,935,402	28,351,991
Other provisions	14	9,983,483	17,549,918
Provisions		9,983,483	17,549,918
Payables to group enterprises		26,132,742	26,058,209
Long-term debt	15	26,132,742	26,058,209
Credit institutions		45,936,898	2,639,458
Trade payables		12,398,524	16,381,488
Payables to group enterprises	15	171,532	16,413,983
Other payables		19,191,902	15,962,472
Deferred income	16	1,445,258	1,455,221
Short-term debt		79,144,114	52,852,622
Debt		105,276,856	78,910,831
Liabilities and equity		141,195,741	124,812,740
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Subsequent events	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	13,200,000	15,151,991	28,351,991
Net profit/loss for the year	0	-2,416,589	-2,416,589
Equity at 31 December	13,200,000	12,735,402	25,935,402

Notes to the Financial Statements

	2018	2017
	DKK	DKK
1 Staff expenses		
Wages and salaries	35,552,385	26,773,155
Pensions	3,465,529	2,439,271
Other social security expenses	513,818	329,551
	<u>39,531,732</u>	<u>29,541,977</u>
Average number of employees	<u>60</u>	<u>51</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	791,108	1,614,396
Depreciation of property, plant and equipment	7,099,564	6,343,890
	<u>7,890,672</u>	<u>7,958,286</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)

	<u>0</u>	<u>13,100,000</u>
	<u>0</u>	<u>13,100,000</u>

Notes to the Financial Statements

	2018 <u>DKK</u>	2017 <u>DKK</u>
4 Financial income		
Interest received from group enterprises	19,186	272,922
Other financial income	34,803	36,574
Exchange gains	0	145,163
	<u>53,989</u>	<u>454,659</u>
5 Financial expenses		
Interest paid to group enterprises	564,133	989,017
Other financial expenses	57,933	110,808
Exchange loss	358,780	201,330
	<u>980,846</u>	<u>1,301,155</u>
6 Tax on profit/loss for the year		
Current tax for the year	1,057,237	-232,021
Deferred tax for the year	-1,730,311	-217,690
	<u>-673,074</u>	<u>-449,711</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		28,974,654
Amortisation for the year		791,108
Impairment losses and amortisation at 31 December		<u>29,765,762</u>
Carrying amount at 31 December		<u>3,207,753</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	23,698,881	52,213,585	16,166,808	0
Additions for the year	107,085	10,626,320	7,906,643	2,761,144
Disposals for the year	0	-69,193	-5,544,617	0
Cost at 31 December	<u>23,805,966</u>	<u>62,770,712</u>	<u>18,528,834</u>	<u>2,761,144</u>
Impairment losses and depreciation at 1 January	19,333,013	40,684,453	10,015,974	0
Depreciation for the year	749,261	4,713,931	1,636,372	0
Reversal of impairment and depreciation of sold assets	0	-23,753	-5,517,063	0
Impairment losses and depreciation at 31 December	<u>20,082,274</u>	<u>45,374,631</u>	<u>6,135,283</u>	<u>0</u>
Carrying amount at 31 December	<u>3,723,692</u>	<u>17,396,081</u>	<u>12,393,551</u>	<u>2,761,144</u>

9 Fixed asset investments

	Other receiv- ables
	DKK
Cost at 1 January	190,535
Additions for the year	69,000
Disposals for the year	-27,850
Cost at 31 December	<u>231,685</u>
Carrying amount at 31 December	<u>231,685</u>

Notes to the Financial Statements

	2018	2017
	DKK	DKK
10 Deferred tax		
Deferred tax asset at 1 January	1,897,308	1,679,618
Amounts recognised in the income statement for the year	1,730,311	217,690
Deferred tax asset at 31 December	3,627,619	1,897,308
Intangible assets	685,927	879,749
Property, plant and equipment	361,927	1,099,567
Amortization	0	-15,642
Hensættelser	-2,196,366	-3,860,981
Tax loss carry-forward	-2,479,107	-1
Transferred to deferred tax asset	3,627,619	1,897,308
	0	0
Deferred tax asset		
Calculated tax asset	3,627,619	1,897,308
Carrying amount	3,627,619	1,897,308

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.

	2018	2017
	DKK	DKK
13 Distribution of profit		
Retained earnings	-2,416,589	-1,622,782
	-2,416,589	-1,622,782

Notes to the Financial Statements

14 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 2018. 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	9,983,483	17,549,918
	<u>9,983,483</u>	<u>17,549,918</u>

The provisions are expected to mature as follows:

Within 1 year	5,000,000	11,699,645
Between 1 and 5 years	4,983,483	5,849,973
	<u>9,983,483</u>	<u>17,549,618</u>

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:

Payables to group enterprises

Between 1 and 5 years	26,132,742	26,058,209
Long-term part	26,132,742	26,058,209
Other short-term debt to group enterprises	171,532	16,413,983
	<u>26,304,274</u>	<u>42,472,192</u>

16 Deferred income

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

	2018 DKK	2017 DKK
17 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,179,829	1,518,277
Between 1 and 5 years	3,129,291	2,523,533

Notes to the Financial Statements

	2018 DKK	2017 DKK
17 Contingent assets, liabilities and other financial obligations (continued)		
	5,309,120	4,041,810
Rental obligation buildings, period of non-terminability up to 24 mth	988,663	860,723
Lease obligation buildings, period of non-terminability 11 years (right to purchase on 1 July 2020)	7,835,430	8,757,245

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.

18 Related parties

Basis

Controlling interest

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

Transactions

Intercompany income regarding Management Charge (2018) , DKK 9.773.268.

Intercompany expense regarding cost of goods sold (2018), DKK 10.856.075.

Intercompany receivables and debt is disclosed in the Balance Sheet while interest income and expense is disclosed in note 4 and 5.

Notes to the Financial Statements

18 Related parties (continued)

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 ("the Company") for 2018 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 2018 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

Notes to the Financial Statements

20 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

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.

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.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of goods sold and other external expenses.

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

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 13,500 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$