

---

# ***Royal Canin Danmark A/S***

Ørestads Boulevard 67, 3., DK-2300 København S

## **Annual Report for 1 January - 31 December 2019**

---

CVR No 13 11 84 77

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
30/06 2020

Tessi Romell  
Chairman of the General  
Meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Cash Flow Statement 1 January - 31 December	12
Notes to the Financial Statements	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Royal Canin Danmark A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations and cash flows for 2019.

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.

Copenhagen, 30 June 2020

## Executive Board

Tessi Romell

## Board of Directors

Michael Kunze  
Chairman

Andrew Samuel Kaminsky

Francois Henri de Guenyveau

# Independent Auditor's Report

To the Shareholder of Royal Canin Danmark A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Royal Canin Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial 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.

## 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 misstate-

# Independent Auditor's Report

ment, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the Financial Statements**

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

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

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

## Independent Auditor's Report

- 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.

Hellerup, 30 June 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Boje Andreassen  
statsautoriseret revisor  
mne2338

Gösta Gauffin  
statsautoriseret revisor  
mne45821

## **Company Information**

### **The Company**

Royal Canin Danmark A/S  
Ørestads Boulevard 67, 3.  
DK-2300 København S

CVR No: 13 11 84 77

Financial period: 1 January - 31 December

Municipality of reg. office: København

### **Board of Directors**

Michael Kunze , Chairman  
Andrew Samuel Kaminsky  
Francois Henri de Guenyveau

### **Executive Board**

Tessi Romell

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	70.978	61.688	50.739	53.518	48.910
Profit/loss before financial income and expenses	5.801	2.441	-1.811	5.194	15.625
Net financials	640	845	869	626	244
Net profit/loss for the year	4.928	2.503	-806	4.527	12.114
<b>Balance sheet</b>					
Balance sheet total	66.233	69.071	61.450	55.142	68.098
Equity	20.854	18.926	16.423	21.729	32.202
<b>Cash flows</b>					
Cash flows from:					
- operating activities	294	-376	2.924	4.902	12.405
- investing activities	0	28	-127	-16.277	0
including investment in property, plant and equipment	0	0	-253	-291	0
- financing activities	0	0	-4.500	-15.000	-46
Change in cash and cash equivalents for the year	294	-349	-1.703	-26.375	12.359
Number of employees	85	78	59	45	36
<b>Ratios</b>					
Return on assets	8,8%	3,5%	-2,9%	9,4%	22,9%
Solvency ratio	31,5%	27,4%	26,7%	39,4%	47,3%
Return on equity	24,8%	14,2%	-4,2%	16,8%	46,3%

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**

Financial Statements of Royal Canin Danmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

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

### **Key activities**

The Company imports, sells and distributes pet food in Denmark.

### **Development in the year**

The income statement of the Company for 2019 shows a profit of DKK 4,928,286, and at 31 December 2019 the balance sheet of the Company shows equity of DKK 20,853,927.

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

The earnings are in line with the expectations and very satisfactory.

### **Targets and expectations for the year ahead**

The Danish market continues to be very competitive and we expect our sales to remain at similar- or higher level and earnings to be at the same level in 2020 as 2019. The effects of COVID-19 have been limited and we do not expect any major impacts.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

### **Unusual events**

The financial position at 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019 have not been affected by any unusual events.

### **Subsequent events**

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

COVID-19 had no immediate impact for Royal Canin Danmark A/S in the first half of 2020. At this time, it is not possible to provide a reliable estimate of the impact for the remainder of 2020. However, Management considers that the COVID-19 outbreak will have limited impact on the Company's operations for 2020 and assesses that the financial resources available are adequate.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
<b>Gross profit/loss</b>		<b>70.978.287</b>	<b>61.687.662</b>
Staff expenses	2	-65.044.890	-59.114.153
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	<u>-132.628</u>	<u>-132.627</u>
<b>Profit/loss before financial income and expenses</b>		<b>5.800.769</b>	<b>2.440.882</b>
Financial income	4	991.682	1.049.715
Financial expenses	5	<u>-352.036</u>	<u>-204.295</u>
<b>Profit/loss before tax</b>		<b>6.440.415</b>	<b>3.286.302</b>
Tax on profit/loss for the year	6	<u>-1.512.129</u>	<u>-783.374</u>
<b>Net profit/loss for the year</b>		<b><u>4.928.286</u></b>	<b><u>2.502.928</u></b>

# Balance Sheet 31 December

## Assets

	Note	2019 DKK	2018 DKK
Other fixtures and fittings, tools and equipment		9.979	94.103
Leasehold improvements		104.967	153.471
<b>Property, plant and equipment</b>	7	<b>114.946</b>	<b>247.574</b>
Receivables from group enterprises		15.000.000	31.000.000
<b>Fixed asset investments</b>	8	<b>15.000.000</b>	<b>31.000.000</b>
<b>Fixed assets</b>		<b>15.114.946</b>	<b>31.247.574</b>
<b>Inventories</b>		<b>6.172.610</b>	<b>8.026.705</b>
Trade receivables		2.166.599	6.351.187
Receivables from group enterprises		37.626.461	18.115.472
Deferred tax asset	9	473.633	996.598
Prepayments	10	1.013.797	961.670
<b>Receivables</b>		<b>41.280.490</b>	<b>26.424.927</b>
<b>Cash at bank and in hand</b>		<b>3.665.417</b>	<b>3.371.411</b>
<b>Currents assets</b>		<b>51.118.517</b>	<b>37.823.043</b>
<b>Assets</b>		<b>66.233.463</b>	<b>69.070.617</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		500.000	500.000
Retained earnings		7.353.927	15.425.641
Proposed dividend for the year		13.000.000	3.000.000
<b>Equity</b>	11	<b>20.853.927</b>	<b>18.925.641</b>
Other payables - Long-term debt		2.034.545	0
<b>Long-term debt</b>	13	<b>2.034.545</b>	<b>0</b>
Trade payables		5.441.694	2.309.688
Payables to group enterprises		10.360.828	27.477.852
Corporation tax		989.164	1.257.806
Other payables - Short-term debt	13	26.553.305	19.099.630
<b>Short-term debt</b>		<b>43.344.991</b>	<b>50.144.976</b>
<b>Debt</b>		<b>45.379.536</b>	<b>50.144.976</b>
<b>Liabilities and equity</b>		<b>66.233.463</b>	<b>69.070.617</b>
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	15.425.641	3.000.000	18.925.641
Ordinary dividend paid	0	0	-3.000.000	-3.000.000
Net profit/loss for the year	0	-8.071.714	13.000.000	4.928.286
<b>Equity at 31 December</b>	<b>500.000</b>	<b>7.353.927</b>	<b>13.000.000</b>	<b>20.853.927</b>

## Cash Flow Statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Net profit/loss for the year		4.928.286	2.502.928
Adjustments	14	1.005.111	70.580
Change in working capital	15	-5.021.231	-5.132.845
<b>Cash flows from operating activities before financial income and expenses</b>		<b>912.166</b>	<b>-2.559.337</b>
Financial income		940.815	1.049.715
Financial expenses		-301.169	-204.295
<b>Cash flows from ordinary activities</b>		<b>1.551.812</b>	<b>-1.713.917</b>
Corporation tax paid / repayment		-1.257.806	1.200.000
Joint taxation contribution received		0	137.676
<b>Cash flows from operating activities</b>		<b>294.006</b>	<b>-376.241</b>
Repayment of deposits		0	27.506
<b>Cash flows from investing activities</b>		<b>0</b>	<b>27.506</b>
Raising of loans from group enterprises		3.000.000	0
Dividend paid		-3.000.000	0
<b>Change in cash and cash equivalents</b>		<b>294.006</b>	<b>-348.735</b>
Cash and cash equivalents at 1 January		3.371.411	3.720.146
<b>Cash and cash equivalents at 31 December</b>		<b>3.665.417</b>	<b>3.371.411</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		3.665.417	3.371.411
<b>Cash and cash equivalents at 31 December</b>		<b>3.665.417</b>	<b>3.371.411</b>

# Notes to the Financial Statements

## 1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

COVID-19 had no immediate impact for Royal Canin Danmark A/S in the first half of 2020. At this time, it is not possible to provide a reliable estimate of the impact for the remainder of 2020. However, Management considers that the COVID-19 outbreak will have limited impact on the Company's operations for 2020 and assesses that the financial resources available are adequate.

	<u>2019</u> DKK	<u>2018</u> DKK
<b>2 Staff expenses</b>		
Wages and salaries	58.899.187	51.323.525
Pensions	4.775.497	5.084.488
Other social security expenses	948.447	1.496.527
Other staff expenses	421.759	1.209.613
	<u><b>65.044.890</b></u>	<u><b>59.114.153</b></u>
<b>Average number of employees</b>	<u><b>85</b></u>	<u><b>78</b></u>

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

## 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	<u>132.628</u>	<u>132.627</u>
	<u><b>132.628</b></u>	<u><b>132.627</b></u>

## 4 Financial income

Interest received from group enterprises	991.682	959.921
Exchange gains	<u>0</u>	<u>89.794</u>
	<u><b>991.682</b></u>	<u><b>1.049.715</b></u>

## Notes to the Financial Statements

	2019	2018
	DKK	DKK
<b>5 Financial expenses</b>		
Interest paid to group enterprises	42.403	26.524
Other financial expenses	70.250	38.129
Exchange loss	239.383	139.642
	<b>352.036</b>	<b>204.295</b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	989.164	1.257.806
Deferred tax for the year	522.965	-454.074
Adjustment of tax concerning previous years	0	-137.676
Adjustment of deferred tax concerning previous years	0	117.318
	<b>1.512.129</b>	<b>783.374</b>
<b>7 Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	1.247.284	827.739
Cost at 31 December	1.247.284	827.739
Impairment losses and depreciation at 1 January	1.153.180	674.270
Depreciation for the year	84.125	48.502
Impairment losses and depreciation at 31 December	1.237.305	722.772
<b>Carrying amount at 31 December</b>	<b>9.979</b>	<b>104.967</b>
Depreciated over	3-8 years	6 years



# Notes to the Financial Statements

## 8 Fixed asset investments

	Receivables from group enterprises
	<u>DKK</u>
Cost at 1 January	31.000.000
Transfers for the year	<u>-16.000.000</u>
Cost at 31 December	<u>15.000.000</u>
<b>Carrying amount at 31 December</b>	<b><u>15.000.000</u></b>

	<u>2019</u>	<u>2018</u>
	DKK	DKK
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 January	996.598	659.842
Amounts recognised in the income statement for the year	<u>-522.965</u>	<u>336.756</u>
<b>Deferred tax asset at 31 December</b>	<b><u>473.633</u></b>	<b><u>996.598</u></b>
Property, plant and equipment	-75.319	-88.498
Trade receivables	-144.577	-527.778
Other payables	-253.737	-380.322
Transferred to deferred tax asset	<u>473.633</u>	<u>996.598</u>
	<b><u>0</u></b>	<b><u>0</u></b>
<b>Deferred tax asset</b>		
Calculated tax asset	<u>473.633</u>	<u>996.598</u>
<b>Carrying amount</b>	<b><u>473.633</u></b>	<b><u>996.598</u></b>

## 10 Prepayments

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

# Notes to the Financial Statements

## 11 Equity

The share capital consists of 50 shares of a nominal value of DKK 10,000. No shares carry any special rights.

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

	<u>2019</u>	<u>2018</u>
	DKK	DKK
<b>12 Distribution of profit</b>		
Proposed dividend for the year	13.000.000	3.000.000
Retained earnings	<u>-8.071.714</u>	<u>-497.072</u>
	<b><u>4.928.286</u></b>	<b><u>2.502.928</u></b>

## 13 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:

### Other payables - Long-term debt

Between 1 and 5 years	<u>2.034.545</u>	<u>0</u>
Long-term part	2.034.545	0
Other short-term payables	<u>26.553.305</u>	<u>19.099.630</u>
	<b><u>28.587.850</u></b>	<b><u>19.099.630</u></b>

## 14 Cash flow statement - adjustments

Financial income	-991.682	-1.049.715
Financial expenses	352.036	204.295
Depreciation, amortisation and impairment losses, including losses and gains on sales	132.628	132.626
Tax on profit/loss for the year	<u>1.512.129</u>	<u>783.374</u>
	<b><u>1.005.111</u></b>	<b><u>70.580</u></b>

## Notes to the Financial Statements

	2019	2018
	DKK	DKK
<b>15 Cash flow statement - change in working capital</b>		
Change in inventories	1.854.094	1.000.243
Change in receivables	621.473	-9.993.147
Change in trade payables, etc	-7.496.798	3.860.059
	<b>-5.021.231</b>	<b>-5.132.845</b>

## 16 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.014.318	685.317
Between 1 and 5 years	715.101	893.563
	<b>1.729.419</b>	<b>1.578.880</b>

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes of the Group. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 17 Related parties

### Basis

---

#### Controlling interest

Mars Incorporated, Elm Street, Maclean, Virginia 22101, USA      Ultimate parent company, USA

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(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:

Royal Canin SAS, BP 4-650, Avenue de la Camargue, F-30470 Aimargues, France

#### Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Mars Incorporated	McLean, Virginia, USA

The Company's nearest and ultimate Parent Company is Mars Incorporated, 6885 Elm Street, McLean, Virginia 22101, USA. The consolidated financial statement are not published, as Mars Inc. is privately owned.

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Royal Canin Danmark A/S for 2019 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 2019 are presented in DKK.

### 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.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

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

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

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

## 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 sales

Cost of sales comprise costs of goods for resale to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and 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 sales and other external expenses.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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.

### Income from investments in

#### Financial income and expenses

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

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish sister Companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### 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:

IT equipment	3 years
Trucks and cars	5-8 years
Leasehold improvements	6 years

# Notes to the Financial Statements

## **18 Accounting Policies** (continued)

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

### **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 loans to group enterprises and deposits.

### **Inventories**

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

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

The cost of goods for resale 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.

### **Equity**

#### ***Dividend***

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

### **Deferred tax assets and liabilities**

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

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimi-



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

nation 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**

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

## Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$