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# ***JYSK A/S***

Sødalsparken 18, DK-8220 Brabrand

## **Annual Report for 1 September 2018 - 31 August 2019**

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CVR No 13 59 04 00

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
24/1 2020

Uffe Baller  
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 September - 31 August	9
Balance Sheet 31 August	10
Statement of Changes in Equity	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 JYSK A/S for the financial year 1 September 2018 - 31 August 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 August 2019 of the Company and of the results of the Company operations for 2018/19.

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

Aarhus, 24 January 2020

## Executive Board

Jan Bøgh  
CEO

Henrik Naundrup

Mikael Havndrup Nielsen

## Board of Directors

Jacob Brunsborg  
Chairman

Hans Henrik Kjølby

Jan Bøgh

# Independent Auditor's Report

To the Shareholders of JYSK A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2019 and of the results of the Company's operations for the financial year 1 September 2018 - 31 August 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of JYSK A/S for the financial year 1 September 2018 - 31 August 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## 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.

# Independent Auditor's Report

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned

# Independent Auditor's Report

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 24 January 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh  
State Authorised Public Accountant  
mne26783

Henrik Berring Rasmussen  
State Authorised Public Accountant  
mne34157

## Company Information

### The Company

JYSK A/S  
Sødalsparken 18  
DK-8220 Brabrand

Telephone: + 45 89 39 75 00  
Facsimile: + 45 89 39 75 01  
Website: [www.jysk.com](http://www.jysk.com)

CVR No: 13 59 04 00  
Financial period: 1 September - 31 August  
Municipality of reg. office: Aarhus

### Board of Directors

Jacob Brunsborg, Chairman  
Hans Henrik Kjølby  
Jan Bøgh

### Executive Board

Jan Bøgh  
Henrik Naundrup  
Mikael Havndrup Nielsen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

### Bankers

Nordjyske Bank A/S  
Torvet 4  
Postboks 123  
9400 Nørresundby

Nordea Bank Danmark A/S  
Skt. Clemens Torv 2-6  
8000 Aarhus C

## Financial Highlights

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

	2018/19	2017/18	2016/17	2015/16	2014/15
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	4.446.156	4.062.389	3.887.000	3.673.825	3.450.551
Operating profit/loss	178.900	218.872	266.601	232.655	250.754
Profit/loss before financial income and expenses	1.137.957	1.147.805	1.043.266	968.567	924.427
Net financials	-3.484	-8.918	-22.102	-1.334	2.526
Net profit/loss for the year	884.849	888.345	799.296	754.672	708.402
<b>Balance sheet</b>					
Balance sheet total	2.767.788	2.716.543	2.675.596	2.650.126	2.478.102
Equity	2.018.221	2.021.717	1.932.372	1.887.076	1.840.404
Investment in property, plant and equipment	75.697	241.849	324.012	135.184	22.378
Number of employees	1.571	1.494	1.394	1.372	1.326
<b>Ratios</b>					
Return on assets	41,1%	42,3%	39,0%	36,5%	37,3%
Solvency ratio	72,9%	74,4%	72,2%	71,2%	74,3%
Return on equity	43,8%	44,9%	41,9%	40,5%	34,0%

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

## Principal activity

The principal activity of the Company is primarily retail and wholesale trade of everything for the bedroom, bathroom, living/dining room, curtains and garden furniture.

Our retail and wholesale activities are carried out from 106 stores in Denmark in addition to online sales, sales to fellow companies and franchise sales from the distribution centre in Uldum.

## Development in the year

Revenue in JYSK A/S reached DKK 4.446 million compared to DKK 4.062 million in FY 2017/18. The improvement is attributable to increases in sales in existing stores, online sales, sales to fellow companies and in franchise sales.

Profit before financial income and expenses reached DKK 1.138 million compared to DKK 1.148 million last year.

Profit after tax for the year amounts to DKK 885 million.

## Development expectations

JYSK A/S expects the 2019/20 profit to reach a level which is unchanged compared to 2018/19.

## Environmental initiatives

JYSK A/S makes an effort to constantly reduce the environmental impact related to our activities. Energy efficient store fittings and lightning are used in connection with new openings and store renovations, where possible, and we moreover work on reducing the use of air conditioning.

JYSK A/S currently seeks to upgrade to efficient operation and minimise mileage through optimised route planning.

## Intellectual capital resources

Through specific, customised training programmes and our own training centre, JYSK A/S continues to develop competent employees who are able to handle operational management in the Group's retail stores.

## Statement of corporate social responsibility

The statement required under section 99(a) of the Danish Financial Statements Act are contained in the Consolidated Financial Statement of Anpartsselskabet af 19. december 2014, Aarhus.

## **Management's Review**

### **Statement on gender composition**

The statement required under section 99(b) of the Danish Financial Statements Act are contained in the Consolidated Financial Statement of Anpartsselskabet af 19. december 2014, Aarhus.

### **Subsequent events**

No material subsequent events have been identified.

## Income Statement 1 September - 31 August

	Note	2018/19 DKK '000	2017/18 DKK '000
<b>Revenue</b>		<b>4.446.156</b>	<b>4.062.389</b>
Other operating income		959.109	929.163
Cost of goods sold		-2.787.461	-2.483.077
Other external expenses		-686.952	-666.539
<b>Gross profit/loss</b>		<b>1.930.852</b>	<b>1.841.936</b>
Staff expenses	1	-719.098	-663.795
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-73.745	-30.106
Other operating expenses		-52	-230
<b>Profit/loss before financial income and expenses</b>		<b>1.137.957</b>	<b>1.147.805</b>
Financial income	3	3.058	2.452
Financial expenses		-6.542	-11.370
<b>Profit/loss before tax</b>		<b>1.134.473</b>	<b>1.138.887</b>
Tax on profit/loss for the year	4	-249.624	-250.542
<b>Net profit/loss for the year</b>		<b>884.849</b>	<b>888.345</b>

## Balance Sheet 31 August

### Assets

	Note	2019 DKK '000	2018 DKK '000
Other fixtures and fittings, tools and equipment		138.998	40.685
Trucks and cars		24.981	27.571
Leasehold improvements		134.808	13.795
Assets under construction		20.646	575.820
<b>Property, plant and equipment</b>	5	<b>319.433</b>	<b>657.871</b>
Deposits		79.443	61.603
Other investments		95.611	152.784
<b>Fixed asset investments</b>	6	<b>175.054</b>	<b>214.387</b>
<b>Fixed assets</b>		<b>494.487</b>	<b>872.258</b>
<b>Inventories</b>		<b>1.083.494</b>	<b>869.296</b>
Trade receivables		326.505	487.373
Receivables from group enterprises		17.323	10.445
Other receivables		756.405	440.646
Deferred tax asset	10	17.496	7.895
Prepayments	7	20.952	14.303
<b>Receivables</b>		<b>1.138.681</b>	<b>960.662</b>
<b>Cash at bank and in hand</b>		<b>51.126</b>	<b>14.327</b>
<b>Currents assets</b>		<b>2.273.301</b>	<b>1.844.285</b>
<b>Assets</b>		<b>2.767.788</b>	<b>2.716.543</b>

# Balance Sheet 31 August

## Liabilities and equity

	Note	2019 DKK '000	2018 DKK '000
Share capital		500	500
Retained earnings		1.132.872	1.132.872
Proposed dividend for the year		884.849	888.345
<b>Equity</b>	<b>8</b>	<b>2.018.221</b>	<b>2.021.717</b>
Credit institutions		11.911	41.839
Prepayments received from customers		17.074	18.039
Trade payables		246.201	172.870
Corporation tax		253.445	248.831
Other payables		216.698	208.200
Deferred income	11	4.238	5.047
<b>Short-term debt</b>		<b>749.567</b>	<b>694.826</b>
<b>Debt</b>		<b>749.567</b>	<b>694.826</b>
<b>Liabilities and equity</b>		<b>2.767.788</b>	<b>2.716.543</b>
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 September	500	1.132.872	888.345	2.021.717
Ordinary dividend paid	0	0	-888.345	-888.345
Net profit/loss for the year	0	0	884.849	884.849
<b>Equity at 31 August</b>	<b>500</b>	<b>1.132.872</b>	<b>884.849</b>	<b>2.018.221</b>

# Notes to the Financial Statements

	2018/19 DKK '000	2017/18 DKK '000
<b>1 Staff expenses</b>		
Wages and salaries	664.017	613.262
Pensions	44.088	41.165
Other social security expenses	10.993	9.368
	<b>719.098</b>	<b>663.795</b>
 Including remuneration to the Executive Board of: Executive Board	 23.586	 33.001
	<b>23.586</b>	<b>33.001</b>
 <b>Average number of employees</b>	 <b>1.571</b>	 <b>1.494</b>
 <b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	73.745	30.106
	<b>73.745</b>	<b>30.106</b>
 Which is specified as follows:		
Other fixtures and fittings, tools and equipment	27.293	15.266
Trucks and cars	11.540	10.923
Leasehold improvements	34.912	3.917
	<b>73.745</b>	<b>30.106</b>
 <b>3 Financial income</b>		
Interest received from group enterprises	1.327	1.426
Other financial income	1.731	1.026
	<b>3.058</b>	<b>2.452</b>

## Notes to the Financial Statements

	2018/19	2017/18		
	DKK '000	DKK '000		
<b>4 Tax on profit/loss for the year</b>				
Current tax for the year	253.445	248.831		
Deferred tax for the year	-3.821	1.711		
Adjustment of tax concerning previous years	5.780	0		
Adjustment of deferred tax concerning previous years	-5.780	0		
	<b>249.624</b>	<b>250.542</b>		
<b>5 Property, plant and equipment</b>				
	Other fixtures and fittings, tools and equipment	Trucks and cars	Leasehold improvements	Assets under construction
	DKK '000	DKK '000	DKK '000	DKK '000
Cost at 1 September	387.493	53.193	40.438	575.820
Additions for the year	10.629	11.046	4.472	49.550
Disposals for the year	-5.866	-13.007	-617	-338.271
Transfers for the year	115.000	0	151.453	-266.453
Cost at 31 August	<b>507.256</b>	<b>51.232</b>	<b>195.746</b>	<b>20.646</b>
Impairment losses and depreciation at 1 September	346.808	25.622	26.643	0
Depreciation for the year	27.293	11.540	34.912	0
Reversal of impairment and depreciation of sold assets	-5.843	-10.911	-617	0
Impairment losses and depreciation at 31 August	<b>368.258</b>	<b>26.251</b>	<b>60.938</b>	<b>0</b>
<b>Carrying amount at 31 August</b>	<b>138.998</b>	<b>24.981</b>	<b>134.808</b>	<b>20.646</b>
Depreciated over	3-5 years	4 years	5 years	



## Notes to the Financial Statements

### 6 Fixed asset investments

	Deposits DKK '000	Other investments DKK '000
Cost at 1 September	61.603	152.784
Additions for the year	17.840	0
Disposals for the year	0	-57.173
Cost at 31 August	<u>79.443</u>	<u>95.611</u>
<b>Carrying amount at 31 August</b>	<b><u>79.443</u></b>	<b><u>95.611</u></b>

### 7 Prepayments

Prepayments primarily consist of prepaid expenses regarding rent, electricity and insurances etc.

### 8 Equity

The share capital is broken down as follow:

	Number	Nominal value DKK '000
A-shares	50	50
B-shares	450	450
		<b><u>500</u></b>

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

### 9 Distribution of profit

	2018/19 DKK '000	2017/18 DKK '000
Proposed dividend for the year	<u>884.849</u>	<u>888.345</u>
	<b><u>884.849</u></b>	<b><u>888.345</u></b>

## Notes to the Financial Statements

	2019 <u>DKK '000</u>	2018 <u>DKK '000</u>
<b>10 Deferred tax asset</b>		
Deferred tax asset at 1 September	7.895	9.607
Amounts recognised in the income statement for the year	3.821	-1.711
Amounts recognised in equity for the year	5.780	0
<b>Deferred tax asset at 31 August</b>	<b><u>17.496</u></b>	<b><u>7.895</u></b>
Property, plant and equipment	-10.167	-6.962
Inventories	-3.592	0
Other	-3.737	-933
Transferred to deferred tax asset	17.496	7.895
	<b><u>0</u></b>	<b><u>0</u></b>

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

### Deferred tax asset

Calculated tax asset	<u>17.496</u>	<u>7.895</u>
<b>Carrying amount</b>	<b><u>17.496</u></b>	<b><u>7.895</u></b>

The recognised tax asset comprises property, plant and equipments expected to be utilised within the nearest future. In connection with the assessment of the utilisation of the tax asset, it is expected that the Company's profit will be increasing.

### 11 Deferred income

Deferred income consists of payments received regarding gift vouchers, credit vouchers and prepaid sales.

## Notes to the Financial Statements

	2019 DKK '000	2018 DKK '000
<b>12 Contingent assets, liabilities and other financial obligations</b>		
<b>Contingent assets</b>		
Warranties	5.525	6.924
<b>Rental and lease obligations</b>		
Tenancy commitments	2.410.022	2.532.141
<b>Other contingent liabilities</b>		
Letters of credit etc	34.571	28.510
Other contractual obligations	82.409	35.855

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Anpartsselskabet af 19. december 2014 from 1 September 2018 to 12 April 2019 and in LKL ApS from 13 April to 31 August 2019 which are the management companies of the joint taxation purposes. Moreover, the 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.

JYSK Holding A/S has entered a cash pool agreement for Lars Larsen Group. As of 31 August 2019, mDKK 0 have been drawn. As a participant in the cash pool arrangement, JYSK A/S has provided the credit institutions with a guarantee of payment as security for JYSK Holding A/S' obligations pursuant to the cash pool agreement.

# Notes to the Financial Statements

## 13 Related parties

### Basis

#### Controlling interest

LKL ApS

Controlling shareholder

#### 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.

#### Consolidated Financial Statements

The company is included in the Group Annual Report of

Name

Place of registered office

LKL ApS

Brabrand, Denmark

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of JYSK A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

### 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 Anpartsselskabet af 19. december 2014, 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

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

## 14 Accounting Policies (continued)

### 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.

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Board of Directors assess that such disclosures would be very detrimental to the Company.

#### 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 administrative 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 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 gains and losses on the sale of intangible assets and property, plant and equipment.

#### 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

## 14 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 its Parent Company. The tax effect of the joint taxation is allocated to Danish 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:

Trucks and passenger cars	4 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Gains and losses from current replacement of property, plant and equipment are expensed in "Depreciation".

Assets costing less than DKK 25,000 are expensed in the year of acquisition.

Depreciation period and residual value are reassessed annually.

### 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.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### **Fixed asset investments**

Fixed asset investments consist of deposits and other receivables.

### **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 interest.

### **Equity**

#### ***Dividend***

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

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

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

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

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 de-



# Notes to the Financial Statements

## 14 Accounting Policies (continued)

ferred 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.

### Deferred income

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

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