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# ***BrandFactory Danmark A/S***

Måløv Teknikerby 2, DK-2760 Måløv

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

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CVR No 15 13 44 88

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/8 2020

René Rafn Hansen  
Chairman of the General  
Meeting



**pwc**

# 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	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Cash Flow Statement 1 January - 31 December	13
Notes to the Financial Statements	14

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BrandFactory 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.

Måløv, 26 August 2020

## Executive Board

René Rafn Hansen

## Board of Directors

Anders Vangsgaard  
Chairman

René Rafn Hansen

Nicolai Juul Falkenlund

# Independent Auditor's Report

To the Shareholder of BrandFactory 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 BrandFactory 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.
- 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

# Independent Auditor's Report

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.

Hillerød, 26 August 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Michael Krath

statsautoriseret revisor

mne34155

## **Company Information**

### **The Company**

BrandFactory Danmark A/S  
Måløv Teknikerby 2  
DK-2760 Måløv

CVR No: 15 13 44 88  
Financial period: 1 January - 31 December  
Municipality of reg. office: Ballerup

### **Board of Directors**

Anders Vangsgaard, Chairman  
René Rafn Hansen  
Nicolai Juul Falkenlund

### **Executive Board**

René Rafn Hansen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Milnersvej 43  
DK-3400 Hillerød

## 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	56,071	44,046	69,973	59,729	62,508
Profit/loss before financial income and expenses	-5,220	-17,565	8,245	7,801	13,168
Net financials	-846	-260	-632	321	70
Net profit/loss for the year	-4,797	-14,006	5,842	6,188	9,991
<b>Balance sheet</b>					
Balance sheet total	52,316	61,137	75,080	67,120	70,485
Equity	3,214	8,011	27,817	27,975	21,786
<b>Cash flows</b>					
Cash flows from:					
- operating activities	11,346	5,114	3,036	0	0
- investing activities	-1,262	-8,799	-11,017	0	0
including investment in property, plant and equipment	-1,130	-1,471	-6,795	-2,938	1,547
- financing activities	-8,948	3,235	2,690	0	0
Change in cash and cash equivalents for the year	1,136	-450	-5,291	0	0
Number of employees	116	119	122	106	100
<b>Ratios</b>					
Solvency ratio	6.1%	13.1%	37.0%	41.7%	30.9%
Return on equity	-85.5%	-78.2%	20.9%	24.9%	45.8%

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.

Pursuant to section 84(4) of the Danish Financial Statements Act, no cash flow statements has been prepared for the years 2016-2015 as the cash flow statement is included in the consolidated financial statements for BrandFactory Group AB.



# Management's Review

## Key activities

BrandFactory Danmark A/S is the leading Danish company in the field of branding and visual communication. We Turn Concepts into Reality and have done so for more than 40 years on the Danish market.

## Development in the year

The income statement of the Company for 2019 shows a loss of TDKK 4,797, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 3,214.

The result for the year is disappointing but is mainly attributable to restructuring activities for future growth and profitability. Major projects on operational excellence, including paperless flow throughout the organization, and commercial excellence have been initiated, already showing positive results end of 2019. Main impact of these activities will however materialize over the coming years, along with implementation and further development.

The acquisition of the digital business unit in 2018 has contributed positively in 2019 and will going forward be an important platform for growth, complementing the current business units, but also a growth vehicle in itself.

## Targets and expectations for the year ahead

Expectations for 2020 will depend on the extent of the development of Covid-19, as described under Subsequent events.

## External environment

BrandFactory cares about the environment. We prioritize our responsibilities in terms of sustainability, quality and environment. Our sustainability activities involve ambitious goals and actions to secure high quality, social responsibility, good business ethics and environmental considerations.

## Uncertainty relating to recognition and measurement

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

## Unusual events

Numbers in the annual report includes once off restructuring costs and costs related to the acquisition in the Digital Signage market completed in 2018.

# Management's Review

## 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. Many of the Company's customers have indicated that they will continue projects in progress, but there is still a risk that COVID-19 will have negative impacts on the Company's revenue and earnings in 2020. Management is monitoring developments closely.

It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year. Despite the extent of COVID-19 and the possible impact on revenue and earnings the Management has evaluated the financial resources as sufficient to continue future operations of the Company.

## Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
<b>Gross profit/loss</b>		<b>56,071</b>	<b>44,046</b>
Staff expenses	3	-56,278	-57,340
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-5,013	-4,271
<b>Profit/loss before financial income and expenses</b>	4	<b>-5,220</b>	<b>-17,565</b>
Financial income	5	1	176
Financial expenses	6	-847	-436
<b>Profit/loss before tax</b>		<b>-6,066</b>	<b>-17,825</b>
Tax on profit/loss for the year	7	1,269	3,819
<b>Net profit/loss for the year</b>		<b>-4,797</b>	<b>-14,006</b>

# Balance Sheet 31 December

## Assets

	Note	2019 TDKK	2018 TDKK
Completed development projects		556	1,141
Acquired other similar rights		750	950
Goodwill		8,322	9,066
<b>Intangible assets</b>	<b>8</b>	<b>9,628</b>	<b>11,157</b>
Plant and machinery		4,605	6,591
Other fixtures and fittings, tools and equipment		61	5
Leasehold improvements		270	530
<b>Property, plant and equipment</b>	<b>9</b>	<b>4,936</b>	<b>7,126</b>
Deposits		806	792
<b>Fixed asset investments</b>	<b>10</b>	<b>806</b>	<b>792</b>
<b>Fixed assets</b>		<b>15,370</b>	<b>19,075</b>
Raw materials and consumables		1,330	1,558
Work in progress		1,303	3,296
Finished goods and goods for resale		2,872	3,853
<b>Inventories</b>		<b>5,505</b>	<b>8,707</b>
Trade receivables		22,417	27,573
Receivables from group enterprises		1,220	571
Other receivables		594	544
Deferred tax asset	14	5,006	3,737
Prepayments	11	1,037	899
<b>Receivables</b>		<b>30,274</b>	<b>33,324</b>
<b>Cash at bank and in hand</b>		<b>1,167</b>	<b>31</b>
<b>Currents assets</b>		<b>36,946</b>	<b>42,062</b>
<b>Assets</b>		<b>52,316</b>	<b>61,137</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		1,000	1,000
Reserve for development costs		434	890
Retained earnings		1,780	6,121
<b>Equity</b>	12	<b>3,214</b>	<b>8,011</b>
Lease obligations		1,235	2,306
Other payables		1,860	1,500
<b>Long-term debt</b>	15	<b>3,095</b>	<b>3,806</b>
Credit institutions		2,169	6,813
Lease obligations	15	1,254	1,878
Prepayments received from customers		11,320	3,997
Trade payables		10,991	18,536
Payables to group enterprises		4,177	4,385
Other payables	15	16,096	13,711
<b>Short-term debt</b>		<b>46,007</b>	<b>49,320</b>
<b>Debt</b>		<b>49,102</b>	<b>53,126</b>
<b>Liabilities and equity</b>		<b>52,316</b>	<b>61,137</b>
Going concern	1		
Subsequent events	2		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Accounting Policies	20		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1,000	890	6,121	8,011
Depreciation, amortisation and impairment for the year	0	-456	456	0
Net profit/loss for the year	0	0	-4,797	-4,797
<b>Equity at 31 December</b>	<b>1,000</b>	<b>434</b>	<b>1,780</b>	<b>3,214</b>

## Cash Flow Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Net profit/loss for the year		-4,797	-14,006
Adjustments	16	4,546	702
Change in working capital	17	12,443	19,479
<b>Cash flows from operating activities before financial income and expenses</b>		<b>12,192</b>	<b>6,175</b>
Financial income		1	176
Financial expenses		-847	-436
<b>Cash flows from ordinary activities</b>		<b>11,346</b>	<b>5,915</b>
Corporation tax paid		0	-801
<b>Cash flows from operating activities</b>		<b>11,346</b>	<b>5,114</b>
Purchase of intangible assets		-250	-7,321
Purchase of property, plant and equipment		-1,130	-1,471
Fixed asset investments made etc		-14	-16
Sale of property, plant and equipment		132	9
<b>Cash flows from investing activities</b>		<b>-1,262</b>	<b>-8,799</b>
Repayment of loans from credit institutions		-4,644	0
Reduction of lease obligations		-1,697	-1,278
Repayment of payables to group enterprises		-857	0
Raising of loans from credit institutions		0	5,533
Raising of loans from group enterprises		0	1,280
Raising of other debt		250	3,500
Dividend paid		0	-5,800
Repayment of other debt		-2,000	0
<b>Cash flows from financing activities</b>		<b>-8,948</b>	<b>3,235</b>
<b>Change in cash and cash equivalents</b>		<b>1,136</b>	<b>-450</b>
Cash and cash equivalents at 1 January		31	481
<b>Cash and cash equivalents at 31 December</b>		<b>1,167</b>	<b>31</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1,167	31
<b>Cash and cash equivalents at 31 December</b>		<b>1,167</b>	<b>31</b>

# Notes to the Financial Statements

## 1 Going concern

After year end, the Company has been sold to K. T. Damgaard-Jensen A/S, and, going forward, K. T. Damgaard-Jensen A/S will take part in the Company's operations. The Company has mainly been financed through loans and capital contributions from its Parent Company.

The Parent, K. T. Damgaard-Jensen A/S, has issued a letter of support to Brandfactory Danmark A/S and the Parent intend to support the Company until 31 March 2021 financially in the form of a loan to finance its operating activities and to settle its financial obligations. The Financial Statement has been prepared on a going concern basis.

## 2 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.

Many of the Company's customers have indicated that they will continue projects in progress, but there is still a risk that COVID-19 will have negative impacts on the Company's revenue and earnings in 2020. Management is monitoring developments closely. It is, however, too early yet to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020. Naturally, Management will make an effort to recapture any lost revenue later in the year.

Despite the extent of COVID-19 and the possible impact on revenue and earnings the Management has evaluated the financial resources as sufficient to continue future operations of the Company.

## 3 Staff expenses

	2019 TDKK	2018 TDKK
Wages and salaries	49,737	51,289
Pensions	4,004	4,238
Other social security expenses	988	813
Other staff expenses	1,549	1,000
	<b>56,278</b>	<b>57,340</b>
Including remuneration to the Executive Board of:		
Executive Board	5,866	5,239
	<b>5,866</b>	<b>5,239</b>
<b>Average number of employees</b>	<b>116</b>	<b>119</b>



## Notes to the Financial Statements

	<u>2019</u> TDKK	<u>2018</u> TDKK
<b>4 Special items</b>		
Write-downs of trade receivables, that exceed normal write-downs	0	14,798
Restructuring cost	<u>1,362</u>	<u>0</u>
	<b><u>1,362</u></b>	<b><u>14,798</u></b>
<b>5 Financial income</b>		
Interest received from group enterprises	0	88
Other financial income	<u>1</u>	<u>88</u>
	<b><u>1</u></b>	<b><u>176</u></b>
<b>6 Financial expenses</b>		
Interest paid to group enterprises	101	1
Other financial expenses	<u>746</u>	<u>435</u>
	<b><u>847</u></b>	<b><u>436</u></b>
<b>7 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Deferred tax for the year	-1,269	-3,837
Adjustment of tax concerning previous years	<u>0</u>	<u>18</u>
	<b><u>-1,269</u></b>	<b><u>-3,819</u></b>

## Notes to the Financial Statements

### 8 Intangible assets

	Completed development projects	Acquired other similar rights	Goodwill	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	1,755	1,000	10,432	13,187
Additions for the year	0	0	250	250
Cost at 31 December	1,755	1,000	10,682	13,437
Impairment losses and amortisation at 1 January	614	50	1,366	2,030
Amortisation for the year	585	200	994	1,779
Impairment losses and amortisation at 31 December	1,199	250	2,360	3,809
<b>Carrying amount at 31 December</b>	<b>556</b>	<b>750</b>	<b>8,322</b>	<b>9,628</b>

Development project relate to the acquisition of a new IT system. The system has been completed and is expected to support the Company's operations in the years ahead. The IT system has been recognised at cost and is amortised on a current basis in accordance with the Company's accounting policies. Based on the nature of the item, recognition and measurement of the expenses are not assessed to be subject to any special conditions.

## Notes to the Financial Statements

### 9 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	19,879	381	902	21,162
Additions for the year	1,034	67	29	1,130
Disposals for the year	-1,339	-132	0	-1,471
Cost at 31 December	<u>19,574</u>	<u>316</u>	<u>931</u>	<u>20,821</u>
Impairment losses and depreciation at 1 January	13,288	376	372	14,036
Depreciation for the year	2,934	11	289	3,234
Reversal of impairment and depreciation of sold assets	-1,253	-132	0	-1,385
Impairment losses and depreciation at 31 December	<u>14,969</u>	<u>255</u>	<u>661</u>	<u>15,885</u>
<b>Carrying amount at 31 December</b>	<b><u>4,605</u></b>	<b><u>61</u></b>	<b><u>270</u></b>	<b><u>4,936</u></b>
Including assets under finance leases amounting to	<u>3,324</u>	<u>0</u>	<u>0</u>	<u>3,324</u>

### 10 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	792
Additions for the year	14
Cost at 31 December	<u>806</u>
<b>Carrying amount at 31 December</b>	<b><u>806</u></b>

### 11 Prepayments

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

# Notes to the Financial Statements

## 12 Equity

The share capital consists of 1,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

	2019 TDKK	2018 TDKK
<b>13 Distribution of profit</b>		
Retained earnings	-4,797	-14,006
	<b>-4,797</b>	<b>-14,006</b>

## 14 Deferred tax asset

Deferred tax asset at 1 January	3,737	-100
Amounts recognised in the income statement for the year	1,269	3,837
<b>Deferred tax asset at 31 December</b>	<b>5,006</b>	<b>3,737</b>
Intangible assets	119	511
Property, plant and equipment	-494	-275
Amortization	-291	198
Tax loss carry-forward	-4,340	-4,171
Transferred to deferred tax asset	5,006	3,737
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	6,275	3,737
Write-down to assessed value	-1,269	0
<b>Carrying amount</b>	<b>5,006</b>	<b>3,737</b>

Deferred tax assets relates primarily to tax loss carry forward, which the Company expects to use the next couple of years.

# Notes to the Financial Statements

## 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:

	2019 TDKK	2018 TDKK
<b>Lease obligations</b>		
Between 1 and 5 years	1,235	2,306
Long-term part	1,235	2,306
Within 1 year	1,254	1,878
	<b>2,489</b>	<b>4,184</b>
<b>Other payables</b>		
Between 1 and 5 years	1,860	1,500
Long-term part	1,860	1,500
Other short-term payables	16,096	13,711
	<b>17,956</b>	<b>15,211</b>
<b>16 Cash flow statement - adjustments</b>		
Financial income	-1	-176
Financial expenses	847	436
Depreciation, amortisation and impairment losses, including losses and gains on sales	4,969	4,261
Tax on profit/loss for the year	-1,269	-3,819
	<b>4,546</b>	<b>702</b>
<b>17 Cash flow statement - change in working capital</b>		
Change in inventories	3,203	-974
Change in receivables	4,968	22,610
Change in trade payables, etc	4,272	-2,157
	<b>12,443</b>	<b>19,479</b>

## Notes to the Financial Statements

	2019 TDKK	2018 TDKK
<b>18 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4,218	4,574
Between 1 and 5 years	9,145	11,450
	<b>13,363</b>	<b>16,024</b>

### Other contingent liabilities

As security for the Company's bank facility, a company charge of TDKK 5,000 has been attached to the Company's assets with a value of TDKK 20,069.

The Company's trade receivables are subject to a negative pledge.

## 19 Related parties

### Basis

#### Controlling interest

Brand Factory Group AB, Fryksdalsbacken 40, S-12343 Farsta, Sweden Parent

#### 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:

Brand Factory Group AB, Fryksdalsbacken 40, S-12343 Farsta, Sweden

[www.brandfactory.se](http://www.brandfactory.se)

The Financial statements of BrandFactory Danmark A/S are included in the consolidated financial statements of Brand Factory Group AB, which may be obtained from the company.

# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of BrandFactory 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 TDKK.

### 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

## 20 Accounting Policies (continued)

### Translation policies

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

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

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

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.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

### Other external expenses

Other external expenses comprise expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operation leases, 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, expenses for raw materials and consumables and other external expenses.



# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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 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.

### 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.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 - 10 years.

Addition of goodwill in 2017 and 2018 is amortised on a straight-line basis over its useful life, which is assessed at 10 years by management. The depreciation period is based on the addition of know how, the history and expectations of customer retention.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

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.

### Fixed asset investments

Fixed asset investments consist of 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.

# Notes to the Financial Statements

## **20 Accounting Policies** (continued)

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### **Receivables**

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Prepayments**

Prepayments comprise prepaid expenses concerning subsequent financial years.

### **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 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.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Financial debts

Loans 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.

### 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.

#### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

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

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

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