

ICM A/S
Hammervej 3
2970 Hørsholm
Central Business Registration No
15150033

Annual report 2017

The Annual General Meeting adopted the annual report on 24.04.2018

Chairman of the General Meeting

Name: Ricki Boye

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Entity details

Entity

ICM A/S

Hammervej 3

2970 Hørsholm

Central Business Registration No: 15150033

Founded: 01.05.1991

Registered in: Hørsholm

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Jesper Boysen, Chairman

Jan Selchau

Michala Charlotte Selchau

Ricki Boye

Nils Lykke Rasmussen

Executive Board

Jan Selchau, Chief Executive Officer

Bank

Danske Bank

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ICM A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hørsholm, 24.04.2018

Executive Board

Jan Selchau
Chief Executive Officer

Board of Directors

Jesper Boysen
Chairman

Jan Selchau

Michala Charlotte Selchau

Ricki Boye

Nils Lykke Rasmussen

Independent auditor's report

To the shareholders of ICM A/S

Opinion

We have audited the financial statements of ICM A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 24.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Max Damborg

State Authorised Public Accountant

Identification number (MNE) mne33772

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	80.860	74.797	70.142	63.638	49.963
Operating profit/loss	13.086	13.272	4.035	15.801	16.327
Net financials	(1.795)	(1.523)	(1.547)	(597)	(274)
Profit/loss for the year	6.808	5.458	2.216	11.282	12.025
Total assets	155.872	179.343	149.749	160.699	94.290
Investments in property, plant and equipment	1.899	1.383	5.744	586	835
Equity	83.219	77.023	63.863	61.648	41.366
Employees in average	100	93	99	77	59
Ratios					
Return on equity (%)	8,5	7,7	3,5	21,9	29,1
Equity ratio (%)	53,4	42,9	42,6	38,4	43,9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activities comprise the sale of work environment solutions from leading manufacturers and proprietary products under the BlueStar brand.

The Company's sales and service activities are focused on Danish and international business-to-business customers.

Development in activities and finances

The Company experienced a positive development of its activities in 2017, both within the personal safety and environmental safety products.

The Company has invested heavily in its organisation, especially within operations, sales and marketing. Furthermore, it has introduced a new slogan to build on for the future: "ICM – safety for you and your workplace".

The income statement for the financial year 2017 shows a profit of DKK 6,807,631 against DKK 5,457,758 for the financial year 2016. The balance sheet shows equity of DKK 83,218,659.

Management considers this year's profit acceptable. The Company has demonstrated continued growth as a result of the execution of the Company's strategy.

Outlook

The Company expects the performance for 2018 to improve. Investments have been made in a new sales force selling products to the workplace which are expected to have a positive effect on future results.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		80.860.273	74.796.809
Staff costs	1	(56.571.145)	(52.747.255)
Depreciation, amortisation and impairment losses	2	<u>(11.203.162)</u>	<u>(8.777.363)</u>
Operating profit/loss		13.085.966	13.272.191
Other financial income	3	30.388	192.636
Other financial expenses	4	<u>(1.825.003)</u>	<u>(1.715.329)</u>
Profit/loss before tax		11.291.351	11.749.498
Tax on profit/loss for the year	5	<u>(4.483.720)</u>	<u>(6.291.740)</u>
Profit/loss for the year	6	<u>6.807.631</u>	<u>5.457.758</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		536.678	805.678
Goodwill		23.864.906	33.634.917
Intangible assets	7	<u>24.401.584</u>	<u>34.440.595</u>
Land and buildings		0	293.366
Other fixtures and fittings, tools and equipment		2.594.690	2.460.663
Leasehold improvements		403.267	411.478
Property, plant and equipment	8	<u>2.997.957</u>	<u>3.165.507</u>
Deposits		2.173.586	2.309.077
Deferred tax		146.000	88.000
Fixed asset investments	9	<u>2.319.586</u>	<u>2.397.077</u>
Fixed assets		<u>29.719.127</u>	<u>40.003.179</u>
Manufactured goods and goods for resale		68.811.287	67.441.495
Prepayments for goods		1.915.092	1.788.346
Inventories		<u>70.726.379</u>	<u>69.229.841</u>
Trade receivables		54.095.457	48.375.620
Receivables from group enterprises		1.182.837	9.568.419
Other receivables	10	0	644.184
Prepayments	11	138.936	151.224
Receivables		<u>55.417.230</u>	<u>58.739.447</u>
Cash		<u>9.056</u>	<u>11.370.762</u>
Current assets		<u>126.152.665</u>	<u>139.340.050</u>
Assets		<u>155.871.792</u>	<u>179.343.229</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		560.091	560.091
Reserve for development expenditure		536.678	805.678
Retained earnings		<u>82.121.890</u>	<u>75.657.050</u>
Equity		<u>83.218.659</u>	<u>77.022.819</u>
Debt to other credit institutions		6.400.000	12.800.000
Other payables		<u>1.000.000</u>	<u>2.000.000</u>
Non-current liabilities other than provisions	12	<u>7.400.000</u>	<u>14.800.000</u>
Current portion of long-term liabilities other than provisions	12	7.514.746	7.552.833
Bank loans		10.477.472	10.824.951
Finance lease liabilities		0	388.809
Trade payables		26.303.502	38.190.885
Payables to group enterprises		576.075	5.882.116
Payables to shareholders and management		3.020.578	4.997.402
Income tax payable		4.586.875	4.740.184
Joint taxation contribution payable		0	3.119.883
Other payables	13	<u>12.773.885</u>	<u>11.823.347</u>
Current liabilities other than provisions		<u>65.253.133</u>	<u>87.520.410</u>
Liabilities other than provisions		<u>72.653.133</u>	<u>102.320.410</u>
Equity and liabilities		<u>155.871.792</u>	<u>179.343.229</u>
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		
Group relations	20		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	560.091	805.678	75.657.050	77.022.819
Fair value adjustments of hedging instruments	0	0	(784.347)	(784.347)
Tax of equity postings	0	0	172.556	172.556
Transfer to reserves	0	(269.000)	269.000	0
Profit/loss for the year	0	0	6.807.631	6.807.631
Equity end of year	560.091	536.678	82.121.890	83.218.659

Cash flow statement 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		13.629.466	13.272.190
Amortisation, depreciation and impairment losses		11.203.162	8.834.143
Working capital changes	14	<u>(18.443.279)</u>	<u>5.800.177</u>
Cash flow from ordinary operating activities		6.389.349	27.906.510
Financial income received		30.388	192.636
Financial income paid		(1.381.046)	(1.565.804)
Income taxes refunded/(paid)		<u>(7.753.912)</u>	<u>(3.999.904)</u>
Cash flows from operating activities		<u>(2.715.221)</u>	<u>22.533.438</u>
Acquisition etc of intangible assets		0	(805.678)
Acquisition etc of property, plant and equipment		(1.899.310)	(692.448)
Sale of property, plant and equipment		1.291.709	280.572
Sale of fixed asset investments		135.441	194.260
Acquisition of enterprises		<u>0</u>	<u>(12.000.000)</u>
Cash flows from investing activities		<u>(472.160)</u>	<u>(13.023.294)</u>
Instalments on loans etc		(7.438.037)	(9.247.167)
Incurrence of lease obligations		0	388.809
Reduction of lease commitments		<u>(388.809)</u>	<u>0</u>
Cash flows from financing activities		<u>(7.826.846)</u>	<u>(8.858.358)</u>
Increase/decrease in cash and cash equivalents		(11.014.227)	651.786
Cash and cash equivalents beginning of year		<u>545.811</u>	<u>(105.975)</u>
Cash and cash equivalents end of year		<u>(10.468.416)</u>	<u>545.811</u>
Cash and cash equivalents at year-end are composed of:			
Cash		9.056	11.370.762
Short-term debt to banks		<u>(10.477.472)</u>	<u>(10.824.951)</u>
Cash and cash equivalents end of year		<u>(10.468.416)</u>	<u>545.811</u>

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	49.889.526	46.870.800
Pension costs	4.891.619	4.290.951
Other social security costs	654.944	402.008
Other staff costs	1.135.056	1.183.496
	56.571.145	52.747.255
Average number of employees	100	93
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2017	2016
	DKK	DKK
Total amount for management categories	2.315.303	2.214.382
	2.315.303	2.214.382
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	10.039.011	7.549.937
Depreciation of property, plant and equipment	1.291.611	1.284.206
Profit/loss from sale of intangible assets and property, plant and equipment	(127.460)	(56.780)
	11.203.162	8.777.363
	2017	2016
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	0	192.636
Interest income	29.138	0
Other financial income	1.250	0
	30.388	192.636

Notes

	2017	2016
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	295.565	237.441
Interest expenses	923.310	1.019.849
Exchange rate adjustments	443.957	149.525
Other financial expenses	162.171	308.514
	1.825.003	1.715.329

	2017	2016
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	4.759.431	4.199.828
Change in deferred tax for the year	(58.000)	103.057
Adjustment concerning previous years	(217.711)	1.988.855
	4.483.720	6.291.740

	2017	2016
	DKK	DKK
6. Proposed distribution of profit/loss		
Retained earnings	6.807.631	5.457.758
	6.807.631	5.457.758

	Completed develop- ment projects DKK	Goodwill DKK
7. Intangible assets		
Cost beginning of year	805.678	48.852.258
Cost end of year	805.678	48.852.258
Amortisation and impairment losses beginning of year	0	(15.217.341)
Amortisation for the year	(269.000)	(9.770.011)
Amortisation and impairment losses end of year	(269.000)	(24.987.352)
Carrying amount end of year	536.678	23.864.906

Completed development projects consist of costs related to webshop.

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
8. Property, plant and equipment			
Cost beginning of year	296.330	6.643.990	1.348.467
Additions	0	1.785.410	113.900
Disposals	(296.330)	(690.856)	0
Cost end of year	0	7.738.544	1.462.367
Depreciation and impairment losses beginning of the year	(2.964)	(4.183.327)	(936.989)
Depreciation for the year	(9.880)	(1.159.620)	(122.111)
Reversal regarding disposals	12.844	199.093	0
Depreciation and impairment losses end of the year	0	(5.143.854)	(1.059.100)
Carrying amount end of year	0	2.594.690	403.267
9. Fixed asset investments			
Cost beginning of year		2.309.077	88.000
Additions		46.995	58.000
Disposals		(182.486)	0
Cost end of year		2.173.586	146.000
Carrying amount end of year		2.173.586	146.000

Notes

	2017	2016
	DKK	DKK
	<u> </u>	<u> </u>
10. Other receivables		
Derivative financial instruments	0	643.184
Other receivables	0	1.000
	<u>0</u>	<u>644.184</u>

11. Prepayments

Prepayments consist of insurance etc.

	Instalments	Instalments	Instalments
	within 12	within 12	beyond 12
	months	months	months
	2017	2016	2017
	DKK	DKK	DKK
	<u> </u>	<u> </u>	<u> </u>
12. Liabilities other than provisions			
Debt to other credit institutions	6.514.746	6.552.833	6.400.000
Other payables	1.000.000	1.000.000	1.000.000
	<u>7.514.746</u>	<u>7.552.833</u>	<u>7.400.000</u>

Outstanding balance after five years is 0 DKK.

	2017	2016
	DKK	DKK
	<u> </u>	<u> </u>
13. Other payables		
VAT and duties	2.779.693	2.756.630
Wages and salaries, personal income taxes, social security costs, etc payable	87.093	82.940
Holiday pay obligation	7.020.615	8.006.768
Derivative financial instruments	141.163	0
Other costs payable	2.745.321	977.009
	<u>12.773.885</u>	<u>11.823.347</u>

Other payables include forward exchange contracts with a negative fair value of DKK 141 thousand. These contracts have been entered into to hedge the foreign currency risk on the future sale of goods of USD 1,075 thousand (DKK 6.45 million) in the period January 2018 to May 2018. The fair value adjustment has been recognised in equity with expected realisation and recognition in the income statement after the balance sheet date. The forward exchange contracts have been made with the Company's usual bankers.

Notes

	2017	2016
	DKK	DKK
14. Change in working capital		
Increase/decrease in inventories	(2.265.350)	920.450
Increase/decrease in receivables	2.733.291	(6.922.278)
Increase/decrease in trade payables etc	(18.911.220)	11.802.005
	(18.443.279)	5.800.177

	2017	2016
	DKK	DKK
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	26.521.278	35.235.038

16. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which JSE Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

The Company has a contractual obligation to repurchase its own shares from minority shareholders in the period 2017 to 2023. The repurchase obligation totals a minimum of DKK 22 million depending on the minority shareholders' choice of time of sale. The granted put options are equity instruments and are not recognised in the financial statements, as they have been issued free of charge.

17. Mortgages and securities

The Company has pledged a company charge of DKK 40,750,000 as collateral for all debts with credit institutions.

The Company has pledged a guarantee for the debt of Selchau Ejendomme ApS with credit institutions. The guarantee is unlimited.

Notes

18. Related parties with controlling interest

Jan Selchau (principal shareholder in JSE Invest ApS)

Piniehøj 21

2960 Rungsted Kyst

JSE Invest ApS (principal shareholder in Safety Star A/S)

Piniehøj 21

2960 Rungsted Kyst

Safety Star A/S (principal shareholder in ICM A/S)

Piniehøj 21

2960 Rungsted Kyst

19. Transactions with related parties

Only non-arm's length transactions with related parties are disclosed in the financial statements. All related party transactions carried out during the financial year have been made on an arm's length basis.

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

JSE Invest ApS, Rungsted Kyst

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

JSE Invest ApS, Rungsted Kyst

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing medium-sized reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other external expenses.

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and foreign currency transactions, etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and foreign currency transactions, etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a

Accounting policies

long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at ten years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are three years.

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 years

Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance, depreciation and impairment losses for machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.