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# ***J.P. Klausen & Co. A/S***

Østre Havnevej 16, DK-5700 Svendborg

## **Annual Report for 1 January - 31 December 2016**

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CVR No 16 64 92 01

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
24/4 2017

Lars Hermes Olsen  
Chairman



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# Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of J.P. Klausen & Co. A/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations and cash flows for 2016.

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.

Svendborg, 24 April 2017

## Executive Board

Jens Peter Klausen

## Board of Directors

Lars Hermes Olsen  
Chairman

Carl Højrup

Jens Peter Klausen

# Independent Auditor's Report

To the Shareholders of J.P. Klausen & Co. 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 2016 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of J.P. Klausen & Co. A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 Statement Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## Management's Responsibilities for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, 24 April 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Marianne Fog Jørgensen

State Authorised Public Accountant

## **Company Information**

### **The Company**

J.P. Klausen & Co. A/S  
Østre Havnevej 16  
DK-5700 Svendborg

Telephone: + 45 62222843  
Website: [www.jpklausen.com](http://www.jpklausen.com)

CVR No: 16 64 92 01  
Financial period: 1 January - 31 December  
Municipality of reg. office: Svendborg

### **Board of Directors**

Lars Hermes Olsen, Chairman  
Carl Højrup  
Jens Peter Klausen

### **Executive Board**

Jens Peter Klausen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Skelagervej 1A  
DK-9000 Aalborg

### **Bankers**

Danske Bank

# Financial Highlights

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

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,002,403	913,994	857,548	832,988	790,213
Gross profit/loss	18,654	17,296	21,060	21,557	23,997
Operating profit/loss	8,788	7,533	11,164	12,068	14,900
Profit/loss before financial income and expenses	8,821	7,559	11,164	12,068	14,900
Net financials	-3,020	-3,672	-2,621	-3,540	-2,590
Net profit/loss for the year	4,523	2,975	6,566	6,508	9,219
<b>Balance sheet</b>					
Balance sheet total	209,128	280,979	186,215	197,614	146,661
Equity	29,629	24,258	26,970	24,210	22,661
<b>Cash flows</b>					
Cash flows from:					
- operating activities	48,898	-42,231	-42,596	-1,353	25,735
- investing activities	28	-8	-95	-525	-520
including investment in property, plant and equipment	-22	-34	-95	-525	-522
- financing activities	0	-5,000	-5,000	-5,000	-23,000
Change in cash and cash equivalents for the year	48,926	-47,239	-47,691	-6,878	2,215
Number of employees	14	14	14	14	13
<b>Ratios</b>					
Gross margin	1.9%	1.9%	2.5%	2.6%	3.0%
Profit margin	0.9%	0.8%	1.3%	1.4%	1.9%
Return on assets	4.2%	2.7%	6.0%	6.1%	10.2%
Solvency ratio	14.2%	8.6%	14.5%	12.3%	15.5%
Return on equity	16.8%	11.6%	25.7%	27.8%	35.4%

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**

The Annual Report of J.P. Klausen & Co. A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

### **Main activity**

The Company's activity is purchase, sales and distribution of fish and fish products.

### **Development in the year**

The income statement of the Company for 2016 shows a profit of TDKK 4,523, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 29,629.

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

Result for the year is realised at the Management's expected level. Management considers result as being satisfactory.

### **Special risks - operating risks and financial risks**

#### ***Operating risks***

Trade with high quality food as well as high food safety have the Company's high priority. Import of food from third countries is constantly influenced by various statutory interventions, both nationally as well as from the EU.

#### ***Market risks***

Changes in the market price for raw materials which have not yet been sold according to contract can affect the Company's earnings possibilities, both upwards and downwards.

#### ***Foreign exchange risks***

International trade entails that result and cash flows are affected by exchange rate movements, particularly regarding USD. It is the Company's policy to hedge commercial currency exposure.

No speculative exchange rate positions are entered.

#### **Environmental issues**

Ongoing work is being performed to develop the conditions of the Company's work environment.

# Management's Review

## Coporate Social Responsibility (CSR)

J.P. Klausen & Co. A/S is a Company trading with food and therefore the Company has a high standard regarding quality control and food safety. Moreover, the Company actively considers the environment by involving environmental considerations in the day-to-day running of the Company.

The Company has internal guidelines, policies and goals which ensure that the employees work in a healthy working environment and that they have the best possible working conditions.

In the financial year 2016 there has been no work accidents to report.

The Company supports sustainable fishery and farming. A wide range of J.P. Klausen & Co. A/S' products are MSC (Marine Stewardship Council) and ASC (Aquaculture Stewardship Council) certified. In the financial year, sales of certified products constitute 61% of total sales which is an increase of 6% compared to 2015.

As a member of MSC's advisory board, the Company has an active role in the development and improvement of the applicable standards, in force at any time, regarding sustainable fishery.

The Company is also conscious regarding the external responsibility in relation to the companies and countries with which J.P. Klausen & Co. A/S cooperates. Thereby it is a long-term goal to trade with suppliers who take social responsibility seriously and who thereby create a positive development in the neighbourhood. We follow International Labour Organisation's guidelines in relation to human rights.

The above guidelines, policies and goals are optimized on an ongoing basis whereby the above matters are constantly up-to-date and in accordance with the Company's overall objective regarding social responsibility.

As we are a merchandising-sector company we have no policy regarding climate.

## Statement on gender composition

Target for the Board of Directors:

J.P. Klausen & Co. A/S is owned by Nordic Seafood A/S. Nordic Seafood A/S is owned and controlled by Nippon Suisan Kaisha Ltd. (Nissui) which is listed in Japan. Nordic Seafood A/S' Board of Directors is formed by executive board members and board of directors members appointed from companies within the Nissui group. Members who have a direct and natural association with the Nordic Seafood Group's business area.

Currently there are no female board of directors representatives. In consideration of the owners of the Company as described above, the Company has a stated objective to appoint one female board member within the next 10 years.

## **Management's Review**

Equality in other levels of management:

J.P. Klausen & Co. A/S has prepared an equal opportunities policy applicable to all levels of management. Thereby the Company will focus on attracting female candidates, however the right qualifications will always be the most important parameter when occupying positions at all levels.

No changes have been implemented in 2016.

### **Branches abroad**

J.P. Klausen & Co. A/S has a branch in the Netherlands as well as a representative office in China

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Activity level and earnings in line with 2016 are expected for the financial year 2017.

## Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
<b>Revenue</b>	1	<b>1,002,403</b>	<b>913,994</b>
Other operating income		33	26
Expenses for raw materials and consumables		-974,264	-883,981
Other external expenses		-9,518	-12,743
<b>Gross profit/loss</b>		<b>18,654</b>	<b>17,296</b>
Staff expenses	2	-9,639	-9,381
Depreciation	3	-194	-356
<b>Profit/loss before financial income and expenses</b>		<b>8,821</b>	<b>7,559</b>
Financial income	4	330	201
Financial expenses	5	-3,350	-3,873
<b>Profit/loss before tax</b>		<b>5,801</b>	<b>3,887</b>
Tax on profit/loss for the year	6	-1,278	-912
<b>Net profit/loss for the year</b>		<b>4,523</b>	<b>2,975</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	5,000	0
Retained earnings	-477	2,975
	<b>4,523</b>	<b>2,975</b>

## Balance Sheet 31 December

### Assets

	Note	2016 TDKK	2015 TDKK
Other fixtures and fittings, tools and equipment		216	404
<b>Property, plant and equipment</b>	7	<b>216</b>	<b>404</b>
<b>Fixed assets</b>		<b>216</b>	<b>404</b>
Finished goods and goods for resale		62,046	118,987
Prepayments for goods		10,451	10,588
<b>Inventories</b>		<b>72,497</b>	<b>129,575</b>
Trade receivables		127,569	143,392
Receivables from group enterprises		3,043	4,924
Other receivables		5,140	2,424
Deferred tax asset		0	42
Prepayments		661	216
<b>Receivables</b>		<b>136,413</b>	<b>150,998</b>
<b>Cash at bank and in hand</b>		<b>2</b>	<b>2</b>
<b>Currents assets</b>		<b>208,912</b>	<b>280,575</b>
<b>Assets</b>		<b>209,128</b>	<b>280,979</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		600	600
Retained earnings		24,029	23,658
Proposed dividend for the year		5,000	0
<b>Equity</b>	8	<b>29,629</b>	<b>24,258</b>
Provision for deferred tax		323	0
<b>Provisions</b>		<b>323</b>	<b>0</b>
Credit institutions		111,150	160,076
Prepayments received from customers		4,689	4,809
Trade payables		58,663	89,999
Payables to group enterprises		1,423	249
Corporation tax		1,231	60
Other payables		2,020	1,528
<b>Short-term debt</b>		<b>179,176</b>	<b>256,721</b>
<b>Debt</b>		<b>179,176</b>	<b>256,721</b>
<b>Liabilities and equity</b>		<b>209,128</b>	<b>280,979</b>
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	600	23,658	0	24,258
Fair value adjustment of hedging instruments, end of year	0	1,185	0	1,185
Tax on adjustment of hedging instruments for the year	0	-337	0	-337
Net profit/loss for the year	0	-477	5,000	4,523
<b>Equity at 31 December</b>	<b>600</b>	<b>24,029</b>	<b>5,000</b>	<b>29,629</b>

## Cash Flow Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Net profit/loss for the year		4,523	2,975
Adjustments	11	4,459	4,914
Change in working capital	12	42,920	-46,166
<b>Cash flows from operating activities before financial income and expenses</b>		<b>51,902</b>	<b>-38,277</b>
Financial income		330	201
Financial expenses		-3,350	-3,873
<b>Cash flows from ordinary activities</b>		<b>48,882</b>	<b>-41,949</b>
Corporation tax paid		16	-282
<b>Cash flows from operating activities</b>		<b>48,898</b>	<b>-42,231</b>
Purchase of property, plant and equipment		-22	-34
Sale of property, plant and equipment		50	26
<b>Cash flows from investing activities</b>		<b>28</b>	<b>-8</b>
Dividend paid		0	-5,000
<b>Cash flows from financing activities</b>		<b>0</b>	<b>-5,000</b>
<b>Change in cash and cash equivalents</b>		<b>48,926</b>	<b>-47,239</b>
Cash and cash equivalents at 1 January		-160,074	-112,835
<b>Cash and cash equivalents at 31 December</b>		<b>-111,148</b>	<b>-160,074</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2	2
Overdraft facility		-111,150	-160,076
<b>Cash and cash equivalents at 31 December</b>		<b>-111,148</b>	<b>-160,074</b>



# Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Scandinavia	115,723	119,635
Europe	743,770	571,828
Other countries	142,910	222,531
	<u><b>1,002,403</b></u>	<u><b>913,994</b></u>
<b>2 Staff expenses</b>		
Wages and salaries	8,427	8,209
Pensions	697	690
Other social security expenses	515	482
	<u><b>9,639</b></u>	<u><b>9,381</b></u>
<b>Average number of employees</b>	<u><b>14</b></u>	<u><b>14</b></u>
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p>		
<b>3 Depreciation</b>		
Depreciation on property, plant and equipment	194	356
	<u><b>194</b></u>	<u><b>356</b></u>
<b>4 Financial income</b>		
Other financial income	330	201
	<u><b>330</b></u>	<u><b>201</b></u>

## Notes to the Financial Statements

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>5 Financial expenses</b>		
Other financial expenses	3,350	3,873
	<b><u>3,350</u></b>	<b><u>3,873</u></b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	1,231	996
Deferred tax for the year	126	-84
Adjustment of tax concerning previous years	-79	0
	<b><u>1,278</u></b>	<b><u>912</u></b>
<b>7 Property, plant and equipment</b>		
		<u>Other fixtures and fittings, tools and equipment</u> TDKK
Cost at 1 January		2,141
Additions for the year		23
Disposals for the year		-547
Cost at 31 December		<u>1,617</u>
Impairment losses and depreciation at 1 January		1,737
Depreciation for the year		194
Reversal of impairment and depreciation of sold assets		-530
Impairment losses and depreciation at 31 December		<u>1,401</u>
<b>Carrying amount at 31 December</b>		<b><u>216</u></b>
Depreciated over		<u>3-5 years</u>

# Notes to the Financial Statements

## 8 Equity

The share capital consists of 600 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

	<u>2016</u> TDKK	<u>2015</u> TDKK
<b>9 Contingent assets, liabilities and other financial obligations</b>		

### Rental and lease obligations

Obligation under operating leases concerning cars and computer equipment. The remaining term is 2-35 months.

Lease obligations, period of non-terminability 3-5 months.

1,677	1,646
<u>240</u>	<u>453</u>

### Other contingent liabilities

There are no securites or contingent liabilities as at 31 December 2016.

The Group's Danish companies are joint and several liable regarding tax on the Group's jointly taxed income etc. The total due corporation tax amount is shown in the Annual Report of Nordic Seafood A/S which is the administrative company in relation to the joint taxation. The Group's Danish companies are also joint and several liable for Danish tax at source in the form of dividend tax, tax on royalty, payments and tax on unearned income. Any subsequent corrections to corporation taxes and tax at source may result in the Company's liabilities constituting a larger amount.

# Notes to the Financial Statements

## 10 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Nordic Seafood A/S, CVR-NO. 11 14 21 41	Parent Company
<b>Other related parties</b>	
J.P. Klausen South America SA	Subsidiary, ownership 60%

In the Annual Report the Investment in J. P. Klausen South America SA is recognised at DKK 0 as it is not possible to obtain the necessary information regarding the company to be used in relation to recognition of the investment at equity value. The value at an amount of DKK 0 corresponds to the cost of the investment.

### Consolidated Financial Statements

The Company is included in the consolidated financial statements of the Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Nordic Seafood A/S	Søren Nordbysvej 15, DK-9850 Hirtshals

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
<b>11 Cash Flow statement - adjustments</b>		
Financial income	-330	-201
Financial expenses	3,350	3,873
Depreciation, amortisation and impairment losses, including losses and gains on sales	161	330
Tax on profit/loss for the year	1,278	912
	<u>4,459</u>	<u>4,914</u>

## Notes to the Financial Statements

	<u>2016</u>	<u>2015</u>
	TDKK	TDKK
<b>12 Cash flow statement - change in working capital</b>		
Change in inventories	57,080	-56,651
Change in receivables	14,543	-39,051
Change in trade payables, etc	-29,790	50,442
Fair value adjustments of hedging instruments	1,087	-906
	<u><b>42,920</b></u>	<u><b>-46,166</b></u>

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of J.P. Klausen & Co. A/S for 2016 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.

Financial Statements for 2016 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.

### **Translation policies**

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

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

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

## **Notes, Accounting Policies**

### **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

### **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 year.

#### **Other external expenses**

Other external expenses comprise expenses for distribution, sales, advertising, administration, premises, bad debts, payments on operating leases, 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 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 core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

## Notes, Accounting Policies

### Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

### Tax on profit/loss for the year

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

The Company is jointly taxed with Danish group enterprises. 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:

Other fixtures and fittings, tools and equipment	3-5	years
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Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of 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.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.



## **Notes, Accounting Policies**

### **Inventories**

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

Goods for resale are measured at cost which comprise purchase price plus landed cost.

### **Receivables**

Receivables are recognised 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, including the tax base of tax loss carry-forwards, 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.

### **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, Accounting Policies**

### **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, Accounting Policies

### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$