J.P. Klausen & Co. A/S

Østre Havnevej 16, DK-5700 Svendborg

Annual Report for 1 January - 31 December 2018

CVR No 16 64 92 01

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 6 /5 2019

Lars Hermes Olsen
Chairman of the General Meeting

Contents

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of J.P. Klausen & Co. A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations and cash flows for 2018.

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, 6 May 2019

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 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 2018, 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 Financials Statements Act.

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

Management's responsibilities for the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, 6 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Line Borregaard
statsautoriseret revisor
mne34353

Company Information

The Company	J.P. Klausen & Co. A/S Østre Havnevej 16 DK-5700 Svendborg Telephone: + 45 62222843 Website: 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:

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	877,398	1,022,304	1,002,403	913,994	857,548
Gross profit/loss	22,389	23,470	18,654	17,296	21,060
Operating profit/loss	11,417	13,923	8,788	7,533	11,164
Profit/loss before financial income and expenses	11,529	13,962	8,821	7,559	11,164
Net financials	-4,325	-2,672	-3,020	-3,672	-2,621
Net profit/loss for the year	5,573	8,788	4,523	2,975	6,566
Balance sheet					
Balance sheet total	180,396	152,049	209,128	280,979	186,215
Equity	34,354	32,075	29,629	24,258	26,970
Cash flows					
Cash flows from:					
- operating activities	-34,525	55,913	48,898	-42,231	-42,596
- investing activities	-7	-229	28	-8	-95
including investment in property, plant and equipment	-119	-292	-22	-34	-95
- financing activities	-5,000	-5,000	0	-5,000	-5,000
Change in cash and cash equivalents for the year	-39,532	50,684	48,926	-47,239	-47,691
Number of employees	12	12	14	14	14
Ratios					
Gross margin	2.6%	2.3%	1.9%	1.9%	2.5%
Profit margin	1.3%	1.4%	0.9%	0.8%	1.3%
Return on assets	6.4%	9.2%	4.2%	2.7%	6.0%
Solvency ratio	19.0%	21.1%	14.2%	8.6%	14.5%
Return on equity	16.8%	28.5%	16.8%	11.6%	25.7%

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 2018 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.

Key activities

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 2018 shows a profit of TDKK 5,573, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 34,354.

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

Result for the year is realised in line 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.

Management's Review

Statutory statement on CSR in accordance with Section 99a of the Danish financial statement act

Sustainable development of the seafood business is imperative and a necessary for seafood to continue to feed the world. J. P. Klausen & Co. A/S recognizes this responsibility and as a large player in the seafood market try and impose sustainable transformation of the supply chain. From Farm / Fishing to consumer.

Business model

J. P. Klausen & Co. A/S is an international supplier of seafood items. Purchase is handled in cooperation with several hubs that handle quality control at the sites of production.

Assessment of risks related to our business model

We hold the highest standards of quality and food safety and we strive to do our business with respect for the natural resources and our supply chain. Global trade means global responsibilities and J. P. Klausen & Co. A/S recognize this and act upon the inherent risks that come with the products purchased. Illegal fishing, overfishing, unsustainable farming and socially unacceptable productions to name the most important ones.

We are conscious of our responsibilities and integrate this in our policies on both practical and strategic levels of our activities. We have a close dialogue with our customers and other relevant stakeholders to ensure compliance with both market standards and customer expectations. We strive to present as wide a sustainable product range as feasibly possible.

J. P. Klausen & Co. A/S applies a principle of "hands on" with suppliers and will engage in and cooperate with suppliers of potential even if there is room for improvement. It is the wish of J. P. Klausen & Co. A/S to use its knowledge and monetary power to push suppliers in a sustainable direction. Business grants influence.

Management's Review

Policies and social responsibility

J.P. Klausen & Co A/S has internal guidelines, policies and goals which ensure that our employees work in a healthy working environment and that they have the best possible working conditions. We prioritize work safety in our factory and hold the safety of our staff to the highest standard. We have established and uphold policies on:

•Human rights and Labour
•Sustainability / Environment / Climate change
•Anticorruption and bribery

The policies lay out the framework of our social responsibilities and present our systematic approach to reducing the negative impact our products upon work force, the environment and ecology. They contain both our very principal standpoints and the tools we use in our CSR workflows.

2018 - Results

Human Rights and Labour

In the financial year 2018 there have been no work accidents to report.

Sustainability / Environment / Climate change

To evaluate the effect of J. P. Klausen & Co. A/S's efforts, monitoring programs have been established. Data on volume and diversity of sustainable products will be included. The aim is to use the data to target business areas where potential for improvement is present. It is also our aim to further improve and extend our sustainable products range.

From 2016 to 2018 the number of sustainable species has fallen from 9 to 8. This is because the sourcing of sustainable Southern Blue Whiting has stopped. The %volume of sustainable products has gone down from 52% to 46% of total volume. This is mainly due to a fall in the available volumes of MSC hoki and Alaska Pollack.

Anticorruption and bribery

In the financial year 2018 there have been no incidents

Management's Review

Statutory statement regarding the underrepresented gender in accordance with Section 99a of the Danish financial statement act

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 ldt (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 A/S' 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 in 2015 stated an objective to appoint one female board member (or 40%) within the next 10 years. At the latest in 2025.

J. P. Klausen & Co. A/S has an equal opportunity policy applicable to all levels of management. Thereby the company will focus on attracting female candidates at all levels of management. The right qualifications will take precedence.

No changes have been implemented in 2018.

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 2018 are expected for the financial year 2019.

Income Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Revenue	1	**877,398**	**1,022,304**
Other operating income		112	39
Expenses for raw materials and consumables		-847,217	-990,005
Other external expenses		-7,904	-8,868
Gross profit/loss		**22,389**	**23,470**
Staff expenses	2	-10,686	-9,358
Depreciation	3	-174	-150
Profit/loss before financial income and expenses		**11,529**	**13,962**
Financial income	4	1,231	19
Financial expenses	5	-5,556	-2,691
Profit/loss before tax		**7,204**	**11,290**
Tax on profit/loss for the year	6	-1,631	-2,502
Net profit/loss for the year		**5,573**	**8,788**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Other fixtures and fittings, tools and equipment		277	333
Property, plant and equipment	7	**277**	**333**
Investments in subsidiaries	8	0	0
Fixed assets		**277**	**333**
Finished goods and goods for resale		61,484	39,301
Prepayments for goods		13,520	10,438
Inventories		**75,004**	**49,739**
Trade receivables		99,774	90,809
Receivables from group enterprises		2,597	10,316
Other receivables	9	2,156	288
Deferred tax asset	12	0	62
Prepayments		225	249
Receivables		**104,752**	**101,724**
Cash at bank and in hand		**363**	**253**
Currents assets		**180,119**	**151,716**
Assets		**180,396**	**152,049**

Balance Sheet 31 December

Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		600	600
Retained earnings		28,754	26,475
Proposed dividend for the year		5,000	5,000
Equity	10	**34,354**	**32,075**
Provision for deferred tax	12	231	0
Provisions		**231**	**0**
Credit institutions		100,359	60,717
Prepayments received from customers		4,291	2,787
Trade payables		31,818	48,996
Payables to group enterprises		2,794	677
Corporation tax		1,572	2,871
Other payables		4,977	3,926
Short-term debt		**145,811**	**119,974**
Debt		**145,811**	**119,974**
Liabilities and equity		**180,396**	**152,049**
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	600	26,475	5,000	32,075
Ordinary dividend paid	0	0	-5,000	-5,000
Fair value adjustment of hedging instruments, beginning of year	0	146	0	146
Fair value adjustment of hedging instruments, end of year	0	2,000	0	2,000
Tax on adjustment of hedging instruments for the year	0	-440	0	-440
Net profit/loss for the year	0	573	5,000	5,573
Equity at 31 December	**600**	**28,754**	**5,000**	**34,354**

Cash Flow Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Net profit/loss for the year		5,573	8,788
Adjustments	13	6,017	5,286
Change in working capital	14	-38,672	44,511
Cash flows from operating activities before financial income and expenses		**-27,082**	**58,585**
Financial income		1,231	19
Financial expenses		-5,556	-2,691
Cash flows from ordinary activities		**-31,407**	**55,913**
Corporation tax paid		-3,118	0
Cash flows from operating activities		**-34,525**	**55,913**
Purchase of property, plant and equipment		-119	-292
Sale of property, plant and equipment		112	63
Cash flows from investing activities		**-7**	**-229**
Dividend paid		-5,000	-5,000
Cash flows from financing activities		**-5,000**	**-5,000**
Change in cash and cash equivalents		**-39,532**	**50,684**
Cash and cash equivalents at 1 January		-60,464	-111,148
Cash and cash equivalents at 31 December		**-99,996**	**-60,464**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		363	253
Overdraft facility		-100,359	-60,717
Cash and cash equivalents at 31 December		**-99,996**	**-60,464**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
1	**Revenue**		
	Geographical segments		
	Scandinavia	119,712	125,922
	Europe	547,485	644,661
	Other countries	210,201	251,721
		877,398	**1,022,304**
2	**Staff expenses**		
	Wages and salaries	9,567	8,296
	Pensions	752	702
	Other social security expenses	367	360
		10,686	**9,358**
	Average number of employees	**12**	**12**

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

		2018	2017
3	**Depreciation**		
	Depreciation of property, plant and equipment	174	150
		174	**150**
4	**Financial income**		
	Interest received from group enterprises	718	0
	Other financial income	513	19
		1,231	**19**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
5	**Financial expenses**		
	Other financial expenses	5,556	2,691
		5,556	**2,691**

		2018	2017
6	**Tax on profit/loss for the year**		
	Current tax for the year	1,572	2,797
	Deferred tax for the year	68	-263
	Adjustment of tax concerning previous years	-9	-32
		1,631	**2,502**

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	1,827
Additions for the year	119
Disposals for the year	-1,184
Cost at 31 December	762
Depreciation at 1 January	1,495
Depreciation for the year	174
Reversal of impairment and depreciation of sold assets	-1,184
Depreciation at 31 December	485
Carrying amount at 31 December	**277**
Depreciated over	3-5 years

Notes to the Financial Statements

8 Investments in subsidiaries

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
J.P. Klausen South America SA	Uruguay	60%	9,388	7,042

9 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2018 TDKK	2017 TDKK
Assets	1,868	317

Forward exchange contracts have been concluded to hedge future purchase and sale of goods in foreign currencies. At the balance sheet date, the nominal value of the exchange contracts amounts to DKK'000 - 43.921. According to group foreign currency policy all purchases and sales are hedged when it is likely that the underling contract will be fulfilled. Purchase contracts have been hedged for a period of 1-10 months and sales contracts for a period of 1-8 months.

10 Equity

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

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

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK

11 Distribution of profit

Proposed dividend for the year	5,000	5,000
Retained earnings	573	3,788
	5,573	**8,788**

12 Provision for deferred tax

Provision for deferred tax at 1 January	-62	323
Amounts recognised in the income statement for the year	68	-263
Amounts recognised in equity for the year	225	-122
Provision for deferred tax at 31 December	**231**	**-62**
Property, plant and equipment	-62	-68
Inventories	68	47
Amortization	225	-41
Transferred to deferred tax asset	0	62
	231	**0**

Deferred tax asset

Calculated tax asset	0	62
Carrying amount	**0**	**62**

13 Cash flow statement - adjustments

Financial income	-1,231	-19
Financial expenses	5,556	2,691
Depreciation and amortisation, including losses and gains on sales	61	112
Tax on profit/loss for the year	1,631	2,502
	6,017	**5,286**

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK

14 Cash flow statement - change in working capital

	2018 TDKK	2017 TDKK
Change in inventories	-25,265	22,757
Change in receivables	-3,091	34,752
Change in trade payables, etc	-12,503	-11,279
Fair value adjustments of hedging instruments	2,187	-1,719
	-38,672	**44,511**

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2018 TDKK	2017 TDKK
Obligation under operating leases concerning cars and computer equipment. The remaining term is 6-44 months. (6-49 months)	1,398	1,447
Lease obligations, period of non-terminability 28-41 months. (1-53 months)	2,143	2,923

Other contingent liabilities

There are no securites or contingent liabilities as at 31 December 2018.

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

16 Related parties

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

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions with related parties have been preformed on arm's length terms.

Consolidated Financial Statements

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

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of J.P. Klausen & Co. A/S for 2017 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.

The Financial Statements for 2018 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Nordic Seafood A/S, the Company has not prepared consolidated financial statements.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

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.

Revenue

Information on geographical segments based on the Companys risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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

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

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

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

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 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.

Financial debts

Loans, such as loans from credit institutions, 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$