A-TEX A/S

Rosenholmvej 1 - 5, DK-7400 Herning

Annual Report for 1 January - 31 December 2018

CVR No 18 43 55 43

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31/5 2019

Leif Lynggaard
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of A-TEX 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 for 2018.

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

Herning, 31 May 2019

Executive Board

Miranda Shui Yau Kong

Board of Directors

Miranda Shui Yau Kong	Wai Yee Lam	Chuk Kwan Wan Chairman

Independent Auditor's Report

To the Shareholder of A-TEX 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 for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

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

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

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

in a manner that gives a true and fair view.

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

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

Henrik Skjøtt Sørensen
State Authorised Public Accountant
mne26807

Company Information

The Company	A-TEX A/S Rosenholmvej 1 - 5 DK-7400 Herning Telephone: + 45 96290000 Facsimile: + 45 96294030 E-mail: info@a-tex.com Website: www.a-tex.com CVR No: 18 43 55 43 Financial period: 1 January - 31 December Incorporated: 22 March 1995 Municipality of reg. office: Herning, Denmark
Board of Directors	Miranda Shui Yau Kong Wai Yee Lam Chuk Kwan Wan, Chairman
Executive Board	Miranda Shui Yau Kong
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 DK-7400 Herning

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					
Gross profit/loss	62.428	62.754	66.379	65.747	58.908
Profit/loss before financial income and expenses	13.863	17.878	13.677	11.788	11.212
Net financials	48.530	35.381	36.750	20.946	23.268
Net profit/loss for the year	52.748	47.695	43.572	26.784	28.580
Balance sheet					
Balance sheet total	289.290	264.628	239.537	188.459	132.073
Equity	242.980	191.267	189.921	147.337	62.210
Investment in property, plant and equipment	1.266	774	2.042	925	1.198
Number of employees	79	79	86	90	90
Ratios					
Return on assets	4,8%	6,8%	5,7%	6,3%	8,5%
Solvency ratio	84,0%	72,3%	79,3%	78,2%	47,1%
Return on equity	24,3%	25,0%	25,8%	25,6%	50,5%

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

Key activities

The main activity has as previous years been trading in Brand identification accessories to the textile industry. A-TEX is one of the leading global suppliers of identity creating branding items - including labels, hang tags, badges, packaging solutions and store decorations for leading international fashion brands. We offer our costumers innovative design and deliverance on time - as a result of effective and high quality logistic solutions. The products are sold in numerous countries, primarily to brand owners in Europe and US.

Development in activities and financial conditions

The A-TEX Group, including A-TEX A/S, has in the current financial year been focused on continuous development of the activities, cost management and consolidation of the previous years' expansions and investments. The Group now has a global distribution network for servicing the European and American customers and A-TEX is therefore well prepared to respond to the customers' requirements in the future.

A-TEX Group is a part of TRIMCO Group which is a leading global player within the industry for garment accessories with more than 1,200 employees across 19 countries and well renown in-house design, production and logistic capabilities. TRIMCO is the overall shell for the three individual brands: A-TEX (based in DK), Clotex (based in Hong Kong) and Labelon (based in UK).

The Company's profit for the financial year 2018 is DKK 52,7 mill. against DKK 47,7 mill. in 2017 and in line with expectations. The result is considered to be satisfactory.

A continued, intense focus on the sourcing and logistics set-up, has brought increased competitive advantage and has created a solid platform for future growth in both activity and earnings. To strengthen and to keep the Group's market position, there will be a continued focus on design, product development and IT systems, that support the Group's product- and logistics solutions. In addition the high focus on supplier management will continue as the CSR strategy is deeply integrated in the general business strategy.

Special risks - operating risks and financial risks

Foreign exchange risks

Because of activities abroad, the Group's transactions are affected by the development in a number of currencies. The foreign exchange risk is hedged through attempted disposition of purchases and sales in the same currency. No speculative currency dispositions has been made.

The Group follows a fiscal policy that operates with as low risk as possible.

Management’s Review

Research and development

The Group doesn't undertake research or development, but there are however ongoing adjustments of the Group's product portfolio so it meets market requirements.

External environment

We care about the environment and that is why we take our social responsibility seriously. It is a vital part of our DNA. Therefore, we offer a varied range of sustainable raw materials for all purposes.

Targets and expectations for the year ahead

The Company expects an increasing level of activity and positive earnings in 2019 compared to 2018. Factors of uncertainty to realize the expectations are related to the development in foreign exchange rates and the consumer retail business in general.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018	2017
		TDKK	TDKK
Gross profit/loss		**62.428**	**62.754**
Staff expenses	1	-46.114	-41.605
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-2.451	-3.271
Profit/loss before financial income and expenses		**13.863**	**17.878**
Income from investments in subsidiaries		48.412	48.303
Financial income	3	858	288
Financial expenses	4	-740	-13.210
Profit/loss before tax		**62.393**	**53.259**
Tax on profit/loss for the year	5	-9.645	-5.564
Net profit/loss for the year		**52.748**	**47.695**

Balance Sheet 31 December

Assets

	Note	2018	2017
		TDKK	TDKK
Completed development projects		1.129	2.055
Intangible assets	6	**1.129**	**2.055**
Land and buildings		30.921	31.182
Plant and machinery		34	61
Other fixtures and fittings, tools and equipment		1.325	1.273
Property, plant and equipment	7	**32.280**	**32.516**
Investments in subsidiaries	8	142.238	109.935
Deposits	9	64	62
Fixed asset investments		**142.302**	**109.997**
Fixed assets		**175.711**	**144.568**
Inventories	10	**5.334**	**4.389**
Trade receivables		5.363	5.266
Receivables from group enterprises		84.234	51.569
Other receivables		1.488	1.245
Prepayments	11	1.070	1.690
Receivables		**92.155**	**59.770**
Cash at bank and in hand		**16.090**	**55.901**
Currents assets		**113.579**	**120.060**
Assets		**289.290**	**264.628**

Balance Sheet 31 December

Liabilities and equity

	Note	2018	2017
		TDKK	TDKK
Share capital		1.100	1.100
Reserve for net revaluation under the equity method		138.578	106.275
Retained earnings		103.302	83.892
Equity	12	**242.980**	**191.267**
Provision for deferred tax	14	7.996	5.614
Provisions		**7.996**	**5.614**
Lease obligations		133	100
Long-term debt	15	**133**	**100**
Lease obligations	15	127	460
Prepayments received from customers		693	773
Trade payables		1.879	2.235
Payables to group enterprises		20.844	52.752
Corporation tax		4.087	1.416
Other payables		10.551	10.011
Short-term debt		**38.181**	**67.647**
Debt		**38.314**	**67.747**
Liabilities and equity		**289.290**	**264.628**
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.100	106.275	83.892	191.267
Exchange adjustments relating to foreign entities	0	-1.035	0	-1.035
Net profit/loss for the year	0	33.338	19.410	52.748
Equity at 31 December	**1.100**	**138.578**	**103.302**	**242.980**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	41.549	37.431
	Pensions	2.973	2.808
	Other social security expenses	533	491
	Other staff expenses	1.059	875
		46.114	**41.605**
	Average number of employees	**79**	**79**
2	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	971	1.782
	Depreciation of property, plant and equipment	1.502	1.457
	Gain and loss on disposal	-22	32
		2.451	**3.271**
	Which is specified as follows:		
	Software	971	1.782
	Buildings	261	261
	Plant and machinery	27	32
	Other fixtures and fittings, tools and equipment	1.214	1.164
	Loss/(profit) on sale of property, plant and equipment	-22	32
		2.451	**3.271**
3	**Financial income**		
	Other financial income	105	288
	Exchange adjustments	753	0
		858	**288**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK
4	**Financial expenses**		
	Other financial expenses	740	452
	Exchange adjustments, expenses	0	12.758
		740	**13.210**

		2018	2017
5	**Tax on profit/loss for the year**		
	Current tax for the year	3.012	1.051
	Deferred tax for the year	2.382	2.966
	Foreign tax	4.251	1.547
		9.645	**5.564**

6 Intangible assets

	Completed development projects
	TDKK
Cost at 1 January	14.479
Additions for the year	45
Cost at 31 December	14.524
Impairment losses and amortisation at 1 January	12.424
Amortisation for the year	971
Impairment losses and amortisation at 31 December	13.395
Carrying amount at 31 December	**1.129**
Amortised over	3-5 years

Development projects relate to the development of new versions of the Company's existing software products.

Notes to the Financial Statements

7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK	TDKK
Cost at 1 January	34.290	404	8.664
Additions for the year	0	0	1.266
Disposals for the year	0	0	-712
Cost at 31 December	34.290	404	9.218
Impairment losses and depreciation at 1 January	3.108	343	7.391
Depreciation for the year	261	27	1.214
Reversal of impairment and depreciation of sold assets	0	0	-712
Impairment losses and depreciation at 31 December	3.369	370	7.893
Carrying amount at 31 December	**30.921**	**34**	**1.325**
Depreciated over	50 years	3-7 years	1-7 years
Including assets under finance leases amounting to	0	0	257

Notes to the Financial Statements

	2018	2017
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	3.660	3.771
Exchange adjustment	0	-37
Additions for the year	0	-74
Cost at 31 December	3.660	3.660
Value adjustments at 1 January	106.275	74.048
Exchange adjustment	-1.035	-14.732
Net profit/loss for the year	48.412	48.303
Dividend to the Parent Company	-15.074	-497
Other equity movements, net	0	-847
Value adjustments at 31 December	138.578	106.275
Carrying amount at 31 December	**142.238**	**109.935**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
A-TEX Asia Ltd.	Hong Kong	100%
A-TEX Trading (Dongguan) Co Ltd. *	China, Dongguan	100%
A-TEX Tekstil Tic Ltd.	Istanbul, Turkey	100%
A-TEX International Ltd.	Dhaka, Bangladesh	100%
A-TEX (India) Private Ltd.	Delhi, India	100%
A-TEX US Inc.	New York, USA	100%
A-TEX Germany GmbH	Bochum, Germany	100%
A-TEX Netherlands b.V	Amsterdam, Holland	100%
A-TEX Sweden AB	Borås, Sweden	100%
ApS af 04.07.2012	Herning, Denmark	100%

*100% owned by A-TEX Asia.

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

9 Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	62
Additions for the year	2
Cost at 31 December	64
Carrying amount at 31 December	**64**

	2018	2017
	TDKK	TDKK

10 Inventories

	2018	2017
Finished goods and goods for resale	3.798	3.247
Prepayments for goods	1.536	1.142
	5.334	**4.389**

11 Prepayments

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

12 Equity

The share capital consists of 1,100 shares of a nominal value of TDKK 1. No shares carry any special rights.

13 Distribution of profit

	2018	2017
Extraordinary dividend paid	0	31.580
Reserve for net revaluation under the equity method	33.338	48.303
Retained earnings	19.410	-32.188
	52.748	**47.695**

Notes to the Financial Statements

		2018	2017
		TDKK	TDKK

14 Provision for deferred tax

	2018	2017
Provision for deferred tax at 1 January	5.614	2.648
Amounts recognised in the income statement for the year	2.382	2.966
Provision for deferred tax at 31 December	**7.996**	**5.614**

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

	2018	2017
Between 1 and 5 years	133	100
Long-term part	133	100
Within 1 year	127	460
	260	**560**

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2018	2017
Within 1 year	856	687
Between 1 and 5 years	1.004	281
	1.860	**968**
Hereoff commitment regarding lease of buildings	63	62

Other contingent liabilities

Bank deposits of total TDKK 15,762 with Svenska Handelsbanken AB have been placed as security for the Group's total debt with CTBC Bank co. LTD.

Notes to the Financial Statements

16 Contingent assets, liabilities and other financial obligations (continued)

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of A-TEX Holding A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

17 Related parties

	Basis
Controlling interest	
A-TEX Holding A/S, Denmark	owns 100% of shares in A-TEX A/S
Labelon Group Limited, United Kingdom	owns 39,3% of shares in A-TEX Holding A/S
TRIMCO International Holdings Limited, British Virgin Islands	owns 100% of shares in Labelon Group Limited
Brandco 3 Limited, Hong Kong	owns 100% of shares in TRIMCO International Holdings Limited
Next Harvest Limited, Cayman Islands	owns 100% of shares in Brandco 3 Limited
First Harvest Limited, Cayman Islands	owns 100% of shares in Next Harvest Limited
Fermo Limited, Cayman Islands	owns 100% of shares in First Harvest Limited
CNC Investment Limited, Cayman Islands	owns 100% of shares in Fermo Limited
CNC Corporation Limited, Cayman Islands	owns 100% of shares in CNC Investment Limited
CNC Consolidated Limited, Cayman Islands	owns 100% of shares in CNC Corporation Limited
Continuity CNC Capital Limited, Cayman Islands	owns 87,7% of shares in CNC Consolidated Limited
Continuity Capital Pte Ltd, Singapore	owns 81,8% of shares in Continuity CNC Capital Limited
Concordant Investments Pte Ltd, Singapore	owns 100% of shares in Continuity Capital Pte Ltd.

Concordant Investments Pte Ltd, Singapore, is the ultimative owner

Notes to the Financial Statements

17 Related parties (continued)

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.

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

A-TEX Holding A/S
Rosenholmvej 1-5
DK-7400 Herning

Consolidated Financial Statements

A-TEX A/S and subsidiaries are included in the consolidated statement of the parent company.

Name	Place of registered office
Labelon Group Ltd	1 Park Row, Leeds, LS1 5AB, United Kingdom

Notes to the Financial Statements

18 Accounting Policies

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

The accounting policies applied remain unchanged from last year.

The Financial Statements for 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 Labelon Group Ltd., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Labelon Group Ltd, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

18 Accounting Policies (continued)

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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 premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Tax on profit/loss for the year

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

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

Balance Sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable, and where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years and is not to exceed 5 years.

Property, plant and equipment

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

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

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

Notes to the Financial Statements

18 Accounting Policies (continued)

recognised in the income statement.

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

Other buildings	50 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	1-7 years
Leasehold improvements	2-7 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisi-

Notes to the Financial Statements

18 Accounting Policies (continued)

tion of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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 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 mortgage loans and 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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