

PLAST TEAM A/S
Skodsborgvej 315
2850 Nærum
Business Registration No
19719685

Annual report 2018

The Annual General Meeting adopted the annual report on 21.05.2019

Chairman of the General Meeting

Name: Theis Bruun

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Entity details

Entity

PLAST TEAM A/S
Skodsborgvej 315
2850 Nærum

Central Business Registration No (CVR): 19719685

Founded: 28.11.1996

Registered in: Rudersdal

Financial year: 01.01.2018 - 31.12.2018

Phone: +4545560220

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Website: www.plast-team.com

E-mail: plast@plast.com

Board of Directors

Morten Pitzner

Jacob Andersen

Torben Golsche Knappe

Executive Board

Jacob Andersen, CEO

Theis Bruun

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of PLAST TEAM A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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

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

Copenhagen, 21.05.2019

Executive Board

Jacob Andersen
CEO

Theis Bruun

Board of Directors

Morten Pitzner

Jacob Andersen

Torben Golsche Knappe

Independent auditor's report

To the shareholder of PLAST TEAM A/S

Opinion

We have audited the financial statements of PLAST TEAM A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Jacob Vilmann Wellejus
State Authorised Public Accountant
Identification No (MNE) mne24807

Management commentary

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------|----------------|----------------|----------------|----------------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Financial highlights | | | | | |
| Key figures | | | | | |
| Gross profit | 15.502 | 14.481 | 14.994 | 22.672 | 25.043 |
| Operating profit/loss | 4.777 | 4.203 | 289 | 5.192 | 6.463 |
| Net financials | 1.980 | 5.904 | 6.178 | (3.679) | (4.896) |
| Profit/loss for the year | 6.061 | 9.557 | 7.067 | 1.219 | 897 |
| Total assets | 149.803 | 133.643 | 118.103 | 125.167 | 129.826 |
| Investments in property, plant and equipment | 2.608 | 380 | 826 | 7.547 | 7.329 |
| Equity | 56.257 | 67.703 | 59.165 | 53.690 | 53.927 |
| Ratios | | | | | |
| Return on equity (%) | 9,8 | 15,1 | 12,5 | 2,3 | 1,6 |
| Equity ratio (%) | 37,6 | 50,7 | 50,1 | 42,9 | 41,5 |

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

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

Management commentary

Primary activities

The Company's activity is production and marketing of household plastic products. The Company's products are primarily sold in the Nordic Countries and the rest of Europe.

Development in activities and finances

In the financial year 2018, the Company realised a gross profit of DKK 15,502k compared to DKK 14,481k prior year.

The result after tax is a profit of DKK 6,061k compared to DKK 9,557k prior year. The result is considered satisfactory.

During the financial year 2018, it has come to Management's attention that some of the Company's other receivables have not been written down to the correct amounts. As a consequence, Management of the Company has made an accounting write-down of the assets. The accounting write-down has been recognized directly in equity in 2018. Comparative figures of the Company have been restated accordingly, which have affected other receivables negatively by DKK 2,175K, the tax asset positively by DKK 478k and equity negatively by DKK 1,696k.

Uncertainty relating to recognition and measurement

Due to its operations, the Company is exposed to changes in exchange rates in the currencies USD, PLN and EUR.

Outlook

Management expects the Company to show positive development in profit before tax for 2019 based on continued focus on profitable business, launch of new products, customer gains and benefits captured from previously implemented initiatives.

Intellectual capital resources

The Company is characterized by a dynamic knowledge environment which places great demands on the Company when it comes to collecting and disseminating information. Moreover, the individual employee's personal knowledge plays an important part.

Environmental performance

The Company is aware of the general societal focus on optimizing environmental conditions and the Company is working continuously to reduce the environmental impacts from the Company's operations.

The Company continuously verify that suppliers and factories are in compliance with environmental requirements.

Events after the balance sheet date

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

Income statement for 2018

| | <u>Notes</u> | <u>2018 DKK'000</u> | <u>2017 DKK'000</u> |
|--|--------------|-------------------------|-------------------------|
| Gross profit | | 15.502 | 14.481 |
| Staff costs | 1 | (5.527) | (5.828) |
| Depreciation, amortisation and impairment losses | 2 | (630) | (374) |
| Other operating expenses | | <u>(4.568)</u> | <u>(4.076)</u> |
| Operating profit/loss | | 4.777 | 4.203 |
| Income from investments in group enterprises | | 3.658 | 7.728 |
| Other financial income | 3 | 405 | 337 |
| Other financial expenses | 4 | <u>(2.083)</u> | <u>(2.161)</u> |
| Profit/loss before tax | | 6.757 | 10.107 |
| Tax on profit/loss for the year | 5 | <u>(696)</u> | <u>(550)</u> |
| Profit/loss for the year | 6 | <u>6.061</u> | <u>9.557</u> |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK'000</u> | <u>2017 DKK'000</u> |
|--|--------------|-------------------------|-------------------------|
| Acquired licences | | 1.899 | 0 |
| Intangible assets | 7 | 1.899 | 0 |
| Plant and machinery | | 2.437 | 359 |
| Other fixtures and fittings, tools and equipment | | 0 | 304 |
| Property, plant and equipment | 8 | 2.437 | 663 |
| Investments in group enterprises | | 35.530 | 47.927 |
| Receivables from group enterprises | | 31.200 | 31.200 |
| Deferred tax | 10 | 3.482 | 4.178 |
| Fixed asset investments | 9 | 70.212 | 83.305 |
| Fixed assets | | 74.548 | 83.968 |
| Manufactured goods and goods for resale | | 5.989 | 6.445 |
| Inventories | | 5.989 | 6.445 |
| Trade receivables | | 25.031 | 25.238 |
| Receivables from group enterprises | | 39.860 | 13.870 |
| Other receivables | | 3.519 | 3.191 |
| Prepayments | 11 | 101 | 102 |
| Receivables | | 68.511 | 42.401 |
| Cash | | 755 | 829 |
| Current assets | | 75.255 | 49.675 |
| Assets | | 149.803 | 133.643 |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018</u> <u>DKK'000</u> | <u>2017</u> <u>DKK'000</u> |
|--|--------------|-------------------------------|-------------------------------|
| Contributed capital | | 2.500 | 2.500 |
| Reserve for net revaluation according to the equity method | | 21.593 | 33.990 |
| Retained earnings | | 32.164 | 16.213 |
| Proposed dividend | | 0 | 15.000 |
| Equity | | <u>56.257</u> | <u>67.703</u> |
| Provisions for investments in group enterprises | 12 | 0 | 454 |
| Provisions | | <u>0</u> | <u>454</u> |
| Subordinate loan capital | | 0 | 2.917 |
| Bank loans | | 10.900 | 372 |
| Non-current liabilities other than provisions | 13 | <u>10.900</u> | <u>3.289</u> |
| Current portion of long-term liabilities other than provisions | 13 | 2.275 | 2.067 |
| Bank loans | | 36.736 | 26.501 |
| Trade payables | | 3.968 | 3.329 |
| Payables to group enterprises | | 35.532 | 25.310 |
| Other payables | | 4.135 | 4.990 |
| Current liabilities other than provisions | | <u>82.646</u> | <u>62.197</u> |
| Liabilities other than provisions | | <u>93.546</u> | <u>65.486</u> |
| Equity and liabilities | | <u>149.803</u> | <u>133.643</u> |
| Unrecognised rental and lease commitments | 14 | | |
| Contingent liabilities | 15 | | |
| Assets charged and collateral | 16 | | |
| Group relations | 17 | | |

Statement of changes in equity for 2018

| | Contributed capital DKK'000 | Reserve for net revaluation according to the equity method DKK'000 | Retained earnings DKK'000 |
|---|--|---|--|
| Equity beginning of year | 2.500 | 33.990 | 17.909 |
| Corrections of material errors | 0 | 0 | (1.696) |
| Adjusted equity, beginning of year | 2.500 | 33.990 | 16.213 |
| Ordinary dividend paid | 0 | 0 | 0 |
| Exchange rate adjustments | 0 | (2.507) | 0 |
| Transfer for coverage of losses | 0 | 282 | (282) |
| Dividends from group enterprises | 0 | (13.830) | 13.830 |
| Profit/loss for the year | 0 | 3.658 | 2.403 |
| Equity end of year | 2.500 | 21.593 | 32.164 |
| | | Proposed dividend DKK'000 | Total DKK'000 |
| Equity beginning of year | | 15.000 | 69.399 |
| Corrections of material errors | | 0 | (1.696) |
| Adjusted equity, beginning of year | | 15.000 | 67.703 |
| Ordinary dividend paid | | (15.000) | (15.000) |
| Exchange rate adjustments | | 0 | (2.507) |
| Transfer for coverage of losses | | 0 | 0 |
| Dividends from group enterprises | | 0 | 0 |
| Profit/loss for the year | | 0 | 6.061 |
| Equity end of year | | 0 | 56.257 |

Notes

| | 2018 | 2017 |
|-----------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 1. Staff costs | | |
| Wages and salaries | 5.412 | 5.638 |
| Pension costs | 82 | 96 |
| Other social security costs | 33 | 94 |
| | 5.527 | 5.828 |
| | | |
| Average number of employees | 5 | 7 |

Pursuant to section 98b(3) of the Danish Financial Statement Act, the Company has omitted to disclose Management's remuneration.

| | 2018 | 2017 |
|--|----------------|----------------|
| | DKK'000 | DKK'000 |
| 2. Depreciation, amortisation and impairment losses | | |
| Amortisation of intangible assets | 71 | 0 |
| Depreciation of property, plant and equipment | 399 | 374 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 160 | 0 |
| | 630 | 374 |

| | 2018 | 2017 |
|---|----------------|----------------|
| | DKK'000 | DKK'000 |
| 3. Other financial income | | |
| Financial income arising from group enterprises | 392 | 312 |
| Other interest income | 0 | 25 |
| Other financial income | 13 | 0 |
| | 405 | 337 |

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 4. Other financial expenses | | |
| Other interest expenses | 1.180 | 1.383 |
| Exchange rate adjustments | 519 | 399 |
| Other financial expenses | 384 | 379 |
| | 2.083 | 2.161 |

Notes

| | 2018 | 2017 |
|---|----------------|--|
| | DKK'000 | DKK'000 |
| 5. Tax on profit/loss for the year | | |
| Change in deferred tax | 696 | 550 |
| | 696 | 550 |
| | | |
| | 2018 | 2017 |
| | DKK'000 | DKK'000 |
| 6. Proposed distribution of profit/loss | | |
| Ordinary dividend for the financial year | 0 | 15.000 |
| Transferred to reserve for net revaluation according to the equity method | 3.658 | 6.480 |
| Retained earnings | 2.403 | (11.923) |
| | 6.061 | 9.557 |
| | | |
| | | Acquired licences DKK'000 |
| 7. Intangible assets | | |
| Additions | | 1.970 |
| Cost end of year | | 1.970 |
| | | |
| Amortisation for the year | | (71) |
| Amortisation and impairment losses end of year | | (71) |
| | | |
| Carrying amount end of year | | 1.899 |

Notes

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | |
|--|---|---|---------------------------------|
| 8. Property, plant and equipment | | | |
| Cost beginning of year | 1.605 | 380 | |
| Additions | 2.394 | 214 | |
| Disposals | 0 | (594) | |
| Cost end of year | 3.999 | 0 | |
| Depreciation and impairment losses beginning of year | (1.246) | (76) | |
| Depreciation for the year | (316) | (83) | |
| Reversal regarding disposals | 0 | 159 | |
| Depreciation and impairment losses end of year | (1.562) | 0 | |
| Carrying amount end of year | 2.437 | 0 | |
| | Invest- ments in group enterprises DKK'000 | Receivables from group enterprises DKK'000 | Deferred tax DKK'000 |
| 9. Fixed asset investments | | | |
| Cost beginning of year | 13.937 | 31.200 | 4.178 |
| Disposals | 0 | 0 | (696) |
| Cost end of year | 13.937 | 31.200 | 3.482 |
| Revaluations beginning of year | 33.990 | 0 | 0 |
| Exchange rate adjustments | (2.507) | 0 | 0 |
| Share of profit/loss for the year | 3.658 | 0 | 0 |
| Dividend | (13.830) | 0 | 0 |
| Investments with negative equity value depreciated over receivables | 282 | 0 | 0 |
| Revaluations end of year | 21.593 | 0 | 0 |
| Carrying amount end of year | 35.530 | 31.200 | 3.482 |

Notes

| | <u>Registered in</u> | <u>Corpo- rate form</u> | <u>Equity inte- rest %</u> |
|--|----------------------|---------------------------------|--|
| Investments in group enterprises comprise: | | | |
| Plast Team Poland Sp. Z.o.o. | Poland | Sp. Z.o.o. | 100,0 |
| Plast Team Vertriebs GmbH | Germany | GmbH | 100,0 |

| | <u>2018 DKK'000</u> | <u>2017 DKK'000</u> |
|-------------------------------|-------------------------|-------------------------|
| 10. Deferred tax | | |
| Property, plant and equipment | (149) | 391 |
| Tax losses carried forward | 3.631 | 3.787 |
| | <u>3.482</u> | <u>4.178</u> |

Changes during the year

| | |
|------------------------------------|--------------|
| Beginning of year | 4.178 |
| Recognised in the income statement | (218) |
| Recognised directly in equity | (478) |
| End of year | <u>3.482</u> |

11. Prepayments

Prepayments consists of prepaid expenses.

12. Provisions for investments in group enterprises

Provisions for investments in group enterprises comprise the negative equity of a subsidiary, net of write-down of receivables against the same subsidiary.

| | <u>Due within 12 months 2018 DKK'000</u> | <u>Due within 12 months 2017 DKK'000</u> | <u>Due after more than 12 months 2018 DKK'000</u> |
|--|--|--|---|
| 13. Liabilities other than provisions | | | |
| Bank loans | 2.275 | 2.067 | 10.900 |
| | <u>2.275</u> | <u>2.067</u> | <u>10.900</u> |

No instalments due 5 years after the balance sheet date.

Notes

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | <u>DKK'000</u> | <u>DKK'000</u> |
| 14. Unrecognised rental and lease commitments | | |
| Liabilities under rental or lease agreements until maturity in total | <u>289</u> | <u>395</u> |

15. Contingent liabilities

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

16. Assets charged and collateral

In connection with the conclusion of a Group Multi-Option Facility Agreement, the company is jointly liable for all debts under the agreement together with all other companies in the Group.

Bank debt is secured by way of a general mortgage deed of DKK 60,000k (2017: DKK 60,000k).

Trade receivables of DKK 25,031k (2017: DKK 25,238k), inventories of DKK 5,989k (2017: DKK 6,445k) and Property plant and equipment for DKK 33,457k (2017: DKK 34,521k) pledged as security for bank debt.

Plast Team A/S guarantees for bank debt in the subsidiary Plast Team Vertriebs GmbH and Plast Team Poland Sp. Z.o.o., for the related company ROOM COPENHAGEN A/S and for parent company Nordic Houeware Group A/S.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Axel Pitzner Fonden, Copenhagen

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Nordic Houseware Group A/S, Nærum

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years

During the financial year 2018, it has come to Management' attention that some of the Company's other receivables have not been written down to the correct amounts. As a consequence, Management of the Company has made an accounting write-down of the assets. The accounting write-down has been recognized directly in equity in 2018. Comparative figures of the Company have been restated accordingly, which have affected other receivables negatively by DKK 2,175K, the tax asset positively by DKK 478k and equity negatively by DKK 1,696k.

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 costs 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 financial statement item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Accounting policies

Danish kroner are used as the reporting and measurement currency. All other currencies are regarded as foreign currencies.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognized in the income statement when delivery and transfer of risk has been made.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year and freight for the year.

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other operating expenses

Other operating expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Income from investments in group enterprises

Income from investments in subsidiaries include the proportionate share of profit/loss according to the equity-method.

Other financial income

Other financial income are recognized in the income statement at the amounts relating to the financial year. Other financial income comprise interest income and exchange gains.

Other financial expenses

Other financial expenses are recognized in the income statement at the amounts relating to the financial year. Other financial expenses comprise exchange losses, interest and other financial expenses.

Accounting policies

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 part of a joint taxation. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intellectual property rights etc

Intellectual property rights acquired are measured at cost less accumulated amortisation and impairment losses. Acquired licences are amortised over the term of the agreement, though never over more than 7 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

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. For self-constructed assets, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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

| | |
|--|------------|
| Plant and machinery | 3-12 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

Investments in subsidiaries include the proportionate ownership share of the equity of each subsidiary.

The total net revaluation of investments in subsidiaries is shown separately in equity in "Reserve for net revaluation under the equity method". The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Accounting policies

Subsidiaries with a negative net value are recognised and presented at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the subsidiary is presented as provisions.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

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

Deferred tax

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

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

Inventories

Inventories are measured at the lower of cost 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 in the process of normal operations with deduction of selling expenses and costs of completion.

The cost of goods for resale, raw materials and consumables comprises purchase price plus delivery costs.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year

Accounting policies

is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions

Other provisions relate to negative equity values in subsidiaries as described under "Investments in group enterprises".

Other financial liabilities

Fixed-interest loans are recognized initially at the proceeds received, net of loan costs incurred. Subsequently, the loans are measured at amortised cost where 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

A cash flow statement is presented for the entire Group, wherefore we refer to the annual report of Nordic Houseware Group A/S.