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# ***Dansk Natursten A/S***

B-Vej 8, DK-2300 København S

## **Annual Report for 1 January - 31 December 2017**

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CVR No 19 88 34 42

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2018

Emmanuel Pierre Maes  
Chairman

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Cash Flow Statement 1 January - 31 December	12
Notes to the Financial Statements	13

# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Dansk Natursten A/S for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations and cash flows for 2017.

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.

København, 31 May 2018

## **Executive Board**

René Sloth Gosvig

## **Board of Directors**

Emmanuel Pierre Maes  
Chairman

Gery Jacques John Edmond  
Leopold De Cloedt

Patrick Johan A. Degryse

Ole Sørensen

Stig Anthony Jensen

# Independent Auditor's Report

To the Shareholders of Dansk Natursten 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Dansk Natursten A/S for the financial year 1 January - 31 December 2017, 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.

# Independent Auditor's Report

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

# **Independent Auditor's Report**

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 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Skov Hansen

statsautoriseret revisor

mne33257

## **Company Information**

### **The Company**

Dansk Natursten A/S  
B-Vej 8  
DK-2300 København S

CVR No: 19 88 34 42  
Financial period: 1 January - 31 December  
Incorporated: 12 March 1997  
Municipality of reg. office: København

### **Board of Directors**

Emmanuel Pierre Maes, Chairman  
Gery Jacques John Edmond Leopold De Cloedt  
Patrick Johan A. Degryse  
Ole Sørensen  
Stig Anthony Jensen

### **Executive Board**

René Sloth Gosvig

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Platanvej 4  
DK-7400 Herning

### **Bankers**

Jyske Bank  
Østergade 4  
DK-8000 Aarhus C

## Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	20.084	21.936	17.637	17.737	16.639
Profit/loss before financial income and expenses	8.014	12.265	9.046	9.123	9.053
Net financials	-870	-1.140	-343	-213	-266
Net profit/loss for the year	5.221	8.507	6.496	6.758	6.516
<b>Balance sheet</b>					
Balance sheet total	103.782	68.807	57.084	61.053	53.405
Equity	35.839	31.477	40.696	36.898	37.585
<b>Cash flows</b>					
Cash flows from:					
- operating activities	6.354	17.350	2.261	6.938	7.736
- investing activities	-1.657	-681	-35	0	246
including investment in property, plant and equipment	-913	-173	-35	0	162
- financing activities	-23.962	-19.482	-6.000	-7.445	0
Change in cash and cash equivalents for the year	-19.265	-2.814	-3.774	-507	7.982
Number of employees	14	10	10	12	10
<b>Ratios</b>					
Return on assets	7,7%	17,8%	15,8%	14,9%	17,0%
Solvency ratio	34,5%	45,7%	71,3%	60,4%	70,4%
Return on equity	15,5%	23,6%	16,7%	18,1%	18,3%

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.

In connection with changes to accounting policies, the comparative figures back to 2013 have not been restated. See the description under accounting policies.



# **Management's Review**

## **Key activities**

The object of the Company is to carry on trade and industry as well as related activities. As in previous years, the Company's activities consisted of import and sale of crushed aggregates and granite.

## **Development in the year**

The income statement of the Company for 2017 shows a profit of DKK 5,221,102, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 35,838,509.

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

The result for the year has not been as expected. The result is DKK 3 millions less than expected which primarily is due to investments in new IT-systems and new employment to strengthen the future growth of the organization.

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

### ***Operating risks***

It is Management's assessment that the Company is not exposed to any special risks apart from those generally existing in this line of business. Such risks are considered minimal and in line with previous years.

## **Targets and expectations for the year ahead**

Management expects a profit before tax of DKK 8-10 million for 2018.

## Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
<b>Gross profit/loss</b>		<b>20.083.733</b>	<b>21.936.102</b>
Staff expenses	1	-11.690.948	-8.694.556
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-378.715	-976.874
<b>Profit/loss before financial income and expenses</b>		<b>8.014.070</b>	<b>12.264.672</b>
Income from investments in subsidiaries		-239.009	0
Financial income	3	329.801	11.217
Financial expenses	4	-960.355	-1.151.021
<b>Profit/loss before tax</b>		<b>7.144.507</b>	<b>11.124.868</b>
Tax on profit/loss for the year	5	-1.923.405	-2.617.799
<b>Net profit/loss for the year</b>		<b>5.221.102</b>	<b>8.507.069</b>

# Balance Sheet 31 December

## Assets

	Note	2017 DKK	2016 DKK
Goodwill		0	317.289
<b>Intangible assets</b>	6	<b>0</b>	<b>317.289</b>
Other fixtures and fittings, tools and equipment		962.307	111.479
Leasehold improvements		56.473	55.712
<b>Property, plant and equipment</b>	7	<b>1.018.780</b>	<b>167.191</b>
Investments in subsidiaries	8	505.221	0
Deposits	9	545.571	545.571
<b>Fixed asset investments</b>		<b>1.050.792</b>	<b>545.571</b>
<b>Fixed assets</b>		<b>2.069.572</b>	<b>1.030.051</b>
Raw materials and consumables		22.979.482	26.200.204
Prepayments for goods		37.206	0
<b>Inventories</b>		<b>23.016.688</b>	<b>26.200.204</b>
Trade receivables		39.983.505	36.784.714
Receivables from group enterprises		34.795.402	0
Other receivables		1.163	958.137
Deferred tax asset	10	0	408.479
Corporation tax receivable from group enterprises		200.724	0
Prepayments	11	1.466.512	1.111.513
<b>Receivables</b>		<b>76.447.306</b>	<b>39.262.843</b>
<b>Cash at bank and in hand</b>		<b>2.248.594</b>	<b>2.313.835</b>
<b>Currents assets</b>		<b>101.712.588</b>	<b>67.776.882</b>
<b>Assets</b>		<b>103.782.160</b>	<b>68.806.933</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		500.000	500.000
Retained earnings		35.338.509	30.976.561
<b>Equity</b>	12	<b>35.838.509</b>	<b>31.476.561</b>
Provision for deferred tax	10	1.272.601	0
<b>Provisions</b>		<b>1.272.601</b>	<b>0</b>
Credit institutions		38.692.893	8.894.948
Trade payables		21.135.136	18.489.732
Payables to group enterprises		235.563	0
Corporation tax		0	2.378.284
Other payables		6.607.458	7.567.408
<b>Short-term debt</b>		<b>66.671.050</b>	<b>37.330.372</b>
<b>Debt</b>		<b>66.671.050</b>	<b>37.330.372</b>
<b>Liabilities and equity</b>		<b>103.782.160</b>	<b>68.806.933</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	30.976.561	31.476.561
Fair value adjustment of hedging instruments, beginning of year	0	-956.451	-956.451
Fair value adjustment of hedging instruments, end of year	0	-145.028	-145.028
Tax on adjustment of hedging instruments for the year	0	242.325	242.325
Net profit/loss for the year	0	5.221.102	5.221.102
<b>Equity at 31 December</b>	<b>500.000</b>	<b>35.338.509</b>	<b>35.838.509</b>

## Cash Flow Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Net profit/loss for the year		5.221.102	8.507.069
Adjustments	14	3.171.683	4.734.477
Change in working capital	15	1.170.675	7.294.863
<b>Cash flows from operating activities before financial income and expenses</b>		<b>9.563.460</b>	<b>20.536.409</b>
Financial income		329.801	11.217
Financial expenses		-960.355	-1.151.021
<b>Cash flows from ordinary activities</b>		<b>8.932.906</b>	<b>19.396.605</b>
Corporation tax paid		-2.579.008	-2.046.929
<b>Cash flows from operating activities</b>		<b>6.353.898</b>	<b>17.349.676</b>
Purchase of property, plant and equipment		-913.015	-173.240
Fixed asset investments made etc		-744.230	-507.608
<b>Cash flows from investing activities</b>		<b>-1.657.245</b>	<b>-680.848</b>
Repayment of loans from credit institutions		10.597.819	17.668
Repayment of payables to group enterprises		-34.559.839	0
Dividend paid		0	-19.500.000
<b>Cash flows from financing activities</b>		<b>-23.962.020</b>	<b>-19.482.332</b>
<b>Change in cash and cash equivalents</b>		<b>-19.265.367</b>	<b>-2.813.504</b>
Cash and cash equivalents at 1 January		-6.563.444	-3.749.940
<b>Cash and cash equivalents at 31 December</b>		<b>-25.828.811</b>	<b>-6.563.444</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2.248.594	2.313.835
Overdraft facility		-28.077.405	-8.877.279
<b>Cash and cash equivalents at 31 December</b>		<b>-25.828.811</b>	<b>-6.563.444</b>

## Notes to the Financial Statements

	2017	2016
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	8.832.098	7.246.279
Pensions	2.619.106	1.252.708
Other social security expenses	133.158	102.931
Other staff expenses	106.586	92.638
	<b>11.690.948</b>	<b>8.694.556</b>
<b>Average number of employees</b>	<b>14</b>	<b>10</b>
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	317.289	952.000
Depreciation of property, plant and equipment	61.426	24.874
	<b>378.715</b>	<b>976.874</b>
<b>3 Financial income</b>		
Interest received from group enterprises	313.276	0
Other financial income	14.625	11.217
Exchange adjustments	1.900	0
	<b>329.801</b>	<b>11.217</b>
<b>4 Financial expenses</b>		
Other financial expenses	960.355	1.151.021
	<b>960.355</b>	<b>1.151.021</b>

## Notes to the Financial Statements

	<u>2017</u> DKK	<u>2016</u> DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	-242.325	3.210.284
Deferred tax for the year	<u>1.923.405</u>	<u>-592.485</u>
	<b><u>1.681.080</u></b>	<b><u>2.617.799</u></b>
which breaks down as follows:		
Tax on profit/loss for the year	1.923.405	2.617.799
Tax on changes in equity	<u>-242.325</u>	<u>0</u>
	<b><u>1.681.080</u></b>	<b><u>2.617.799</u></b>
 <b>6 Intangible assets</b>		
		<u>Goodwill</u> DKK
Cost at 1 January		<u>9.600.000</u>
Cost at 31 December		<u>9.600.000</u>
Impairment losses and amortisation at 1 January		9.282.711
Amortisation for the year		<u>317.289</u>
Impairment losses and amortisation at 31 December		<u>9.600.000</u>
<b>Carrying amount at 31 December</b>		<b><u>0</u></b>
Amortised over		<u>10 years</u>



## Notes to the Financial Statements

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	330.203	69.640
Additions for the year	893.429	19.586
Disposals for the year	<u>-202.400</u>	<u>0</u>
Cost at 31 December	<u>1.021.232</u>	<u>89.226</u>
Impairment losses and depreciation at 1 January	218.724	13.928
Depreciation for the year	42.601	18.825
Reversal for the year of previous years' impairment losses	<u>-202.400</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>58.925</u>	<u>32.753</u>
<b>Carrying amount at 31 December</b>	<b><u>962.307</u></b>	<b><u>56.473</u></b>
Depreciated over	<u>3 years</u>	<u>4-5 years</u>
	2017	2016
	DKK	DKK

### 8 Investments in subsidiaries

Cost at 1 January	0	0
Additions for the year	<u>744.230</u>	<u>0</u>
Cost at 31 December	<u>744.230</u>	<u>0</u>
Value adjustments at 1 January	0	0
Net profit/loss for the year	<u>-239.009</u>	<u>0</u>
Value adjustments at 31 December	<u>-239.009</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>505.221</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DC Resources Baltics Sia	Riga, Latvia	2.845 EUR	100%

## Notes to the Financial Statements

### 9 Other fixed asset investments

	<u>Deposits</u> DKK
Cost at 1 January	<u>545.571</u>
Cost at 31 December	<u>545.571</u>
<b>Carrying amount at 31 December</b>	<b><u>545.571</u></b>

	<u>2017</u> DKK	<u>2016</u> DKK
<b>10 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	-408.479	-184.006
Amounts recognised in the income statement for the year	1.923.405	-592.485
Amounts recognised in equity for the year	<u>-242.325</u>	<u>368.012</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>1.272.601</u></b>	<b><u>-408.479</u></b>

### 11 Prepayments

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

### 12 Equity

The share capital consists of 500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

## Notes to the Financial Statements

	2017 <u>DKK</u>	2016 <u>DKK</u>
<b>13 Distribution of profit</b>		
Retained earnings	5.221.102	8.507.069
	<b><u>5.221.102</u></b>	<b><u>8.507.069</u></b>

### 14 Cash flow statement - adjustments

Financial income	-329.801	-11.217
Financial expenses	960.355	1.151.021
Depreciation, amortisation and impairment losses, including losses and gains on sales	378.715	976.874
Income from investments in subsidiaries	239.009	0
Tax on profit/loss for the year	1.923.405	2.617.799
	<b><u>3.171.683</u></b>	<b><u>4.734.477</u></b>

### 15 Cash flow statement - change in working capital

Change in inventories	3.183.517	4.097.966
Change in receivables	-2.596.817	-13.411.983
Change in trade payables, etc	1.685.454	14.835.794
Fair value adjustments of hedging instruments	-1.101.479	1.773.086
	<b><u>1.170.675</u></b>	<b><u>7.294.863</u></b>

### 16 Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with bankers:

Inventories, company mortgage	23.016.688	26.200.205
Receivable from sales and services, company mortgage	39.983.505	36.784.714

Company mortgage has been provided as security at a total amount of kDKK 30,000.

Surety in respect of Danish Group Companies' outstanding bank debts at 31 December amounting to kDKK 31,925.

## Notes to the Financial Statements

	2017	2016
	DKK	DKK
<b>16 Contingent assets, liabilities and other financial obligations (continued)</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments	243.553	558.740
Lease obligations, period of non-terminability, 1-67 (1-79) months	6.372.003	6.885.287

### Guarantee obligations

Payment guarantees regarding rent obligations 31 December amounting to kDKK 1,919.

### Other contingent liabilities

The 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 Thyborøn Nordsø Ral A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 17 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
René Sloth Gosvig, Lykkesholms Allé 4 A, st. tv., 1902 Frederiksberg C	Executive Board
Emmanuel Pierre Maes, Huttelaan 49, 3001 Heverlee, Belgien	Board of Directors, Chairman
Gery Jacques John Edmond Leopold De Cloedt, Chemin du Patier 36, 1936 Verbier, Schweiz	Board of Directors, Beneficial owner
Patrick Johan A. Degryse, Ljzerstraat 33/004D, 8400 Oostende, Belgien	Board of Directors
Ole Sørensen, Magnolialunden 5, 8960 Randers SØ	Board of Directors
Stig Anthony Jensen, Immortellevej 2 B, 2950 Vedbæk	Board of Directors
DC Industrial NV-SA, Brussel, Belgien	Legal owner
S. A. HOLDING 2009 ApS, Randers, Danmark	Legal owner

# Notes to the Financial Statements

## 17 Related parties (continued)

### Transactions

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, all of which are concluded on arm's length terms, why they are not disclosed in accordance with section 98 c of the Danish Financial Statements Act.

### Consolidated Financial Statements

The Company is consolidated into the Group Annual Report of the Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Group De Cloedt s.a.	Ixelles, Belgium

The Group Annual Report of may be obtained at the following address:

Rue Gachard 88 Bfk 12  
1050 Ixelles  
Belgium

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Dansk Natursten A/S for 2017 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 2017 are presented in DKK.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

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.

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.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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.

### Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### 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 for the year.

### 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.

### 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.

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 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



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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	years
Leasehold improvements	4-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 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, the asset is written down to its lower recoverable amount.

### 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.

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. Deposits are measured in the balance sheet at the lower of amortised cost and net realisable value.

### Inventories

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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. 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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### 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 and subscriptions.

### Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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.

### 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

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

#### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

#### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

#### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

### Financial Highlights

#### Explanation of financial ratios

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