



S&K Group A/S

Piniehøj 16
2960 Rungsted Kyst
CVR No. 20288442

Annual report 01.10.2019 - 30.09.2020

The Annual General Meeting adopted the
annual report on 26.02.2021

Flemming Søeborg Sørensen
Chairman of the General Meeting

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Entity details

Entity

S&K Group A/S
Piniehøj 16
2960 Rungsted Kyst

Business Registration No.: 20288442
Registered office: Hørsholm
Financial year: 01.10.2019 - 30.09.2020

Board of Directors

Mads Nicolai Søeborg Sørensen, Chairman
Flemming Søeborg Sørensen
Ellen Margrethe Søeborg Sørensen

Executive Board

Flemming Søeborg Sørensen, Chief Executive Officer

Bank

Danske Bank, Finanscenter Storkøbenhavn
Hovedvejen 107
2600 Glostrup

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen 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 S&K Group A/S for the financial year 01.10.2019 - 30.09.2020.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020.

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.

Rungsted Kyst, 26.02.2021

Executive Board

Flemming Søeborg Sørensen

Chief Executive Officer

Board of Directors

Mads Nicolai Søeborg Sørensen

Chairman

Flemming Søeborg Sørensen

Ellen Margrethe Søeborg Sørensen

Independent auditor's report

To the shareholders of S&K Group A/S

Qualified opinion

We have audited the consolidated financial statements and the parent financial statements of S&K Group A/S for the financial year 01.10.2019 - 30.09.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the possible effect of the matter specified in the "Basis for qualified opinion" section, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.10.2019 - 30.09.2020 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

The receivable from Søeborg Invest A/S is recognised by DKK 16.9 million in the consolidated financial statements and the parent financial statements. As mentioned in the management commentary, the condition for recognition is the Søeborg Invest A/S Group's ability to finish, market and sell the Group's dental products. At the time of presentation of this annual report, a syndicate of business partners are still - against payment of remuneration making the Group self-financing - in an investigation phase after which it is decided whether the syndicate will enter into a long-term agreement that could contribute to fully development, production and sale of the dental product. Due to the Covid-19 crisis, the investigation phase has been prolonged. At the same time, other projects are under development using the same technology. Several of these projects also produce earnings for the Group. On this basis, Management expects that one or more agreements are entered into during the coming months ensuring that the Søeborg Invest A/S Group becomes self-financing from the continued operations and that the Group will be able to start repaying its debt to S&K Group A/S within a few years. At the present moment, Management is not able to present adequate documentation of this, and due to the insufficient documentation of the recognised value of the receivable, we give a qualified opinion as to the measurement of it.

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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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 qualified opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial

statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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, 26.02.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Søren Strandby

State-Authorised Public Accountant
Identification No (MNE) mne24684

Management commentary

Financial highlights

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|---|---------|---------|----------|---------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Gross profit/loss | 56,326 | 58,428 | 57,894 | 54,487 | 54,281 |
| Operating profit/loss | 7,232 | 7,495 | 8,775 | 4,445 | 3,704 |
| Net financials | (3,749) | (3,944) | (68,826) | (4,009) | 784 |
| Profit/loss for the year | 2,642 | 2,670 | (61,196) | 261 | 4,203 |
| Balance sheet total | 138,292 | 140,459 | 139,653 | 193,939 | 191,816 |
| Investments in property, plant and equipment | 1,039 | 925 | 721 | 1,038 | 1,917 |
| Equity | 14,294 | 11,762 | 9,200 | 70,503 | 70,343 |
| Ratios | | | | | |
| Return on equity (%) | 20.28 | 25.47 | (153.56) | 0.37 | 6.20 |
| Equity ratio (%) | 10.34 | 8.37 | 6.59 | 36.35 | 36.67 |

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

Profit/loss for the year excl. minority interests * 100

Average equity excl. minority interests

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

As in previous years, the Group's activities are production and sales of technical rubber, plastics and hydraulic equipment and related activities.

Development in activities and finances

The Group's operating profit for 2019/20 amounts to DKK 7,232 thousand against DKK 7,495 thousand in 2018/19. Parts of the Group's activities have been affected by the COVID-19 crisis and in the light of this, Management considers profit for the year satisfactory. Profit for the year after tax amounts to DKK 2,642 thousand. Management expects to see an increase in operating profit for 2020/21.

Uncertainty relating to recognition and measurement

At 30.09.2020, the Group has recognised a receivable from the sister Group Søbørg Invest A/S of DKK 16.9 million.

The Søbørg Invest A/S Group is currently in the process of finalising a new dental product with great potential. The basic phase of the dental product has been completed. During the financial year, Management has worked on technical adjustments/improvements of the product and, at the same time, negotiated about an agreement with one or more business partners. At the time of presentation of this annual report, a syndicate of business partners are still - against payment of remuneration making the Group self-financing - in an investigation phase after which it is decided whether the syndicate will enter into a long-term agreement that could contribute to fully development, production and sale of the dental product. Due to the Covid-19 crisis, the investigation phase has been prolonged. At the same time, other projects are under development using the same technology. Several of these projects also produce earnings for the Group. On this basis, Management expects that one or more agreements are entered into during the coming months ensuring that the Søbørg Invest A/S Group becomes self-financing from the continued operations. Moreover, Management expects that the Group again will be able to start reducing its balance with S&K Group A/S.

During the financial year, the Søbørg Invest A/S Group has also been working on sales and marketing of the Group's other dental products, including obtaining the necessary approvals and concluding agreements with business partners on marketing and sales.

Management's assessment is that the Søbørg Invest A/S Group will succeed in implementing its plans in the years to come.

Events after the balance sheet date

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

Consolidated income statement for 2019/20

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|-------|-------------------|-------------------|
| Gross profit/loss | | 56,325,987 | 58,427,639 |
| Staff costs | 2 | (48,340,066) | (50,217,234) |
| Depreciation, amortisation and impairment losses | 3 | (753,923) | (715,672) |
| Operating profit/loss | | 7,231,998 | 7,494,733 |
| Other financial expenses | 4 | (3,749,094) | (3,943,796) |
| Profit/loss before tax | | 3,482,904 | 3,550,937 |
| Tax on profit/loss for the year | | (840,833) | (881,000) |
| Profit/loss for the year | 5 | 2,642,071 | 2,669,937 |

Consolidated balance sheet at 30.09.2020

Assets

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|-------|--------------------|--------------------|
| Land and buildings | | 43,386,415 | 43,245,529 |
| Other fixtures and fittings, tools and equipment | | 9,958,057 | 9,835,678 |
| Property, plant and equipment | 6 | 53,344,472 | 53,081,207 |
| Other receivables | | 16,924,046 | 15,807,046 |
| Fixed asset investments | 7 | 16,924,046 | 15,807,046 |
| Fixed assets | | 70,268,518 | 68,888,253 |
| Raw materials and consumables | | 7,678,650 | 6,874,030 |
| Manufactured goods and goods for resale | | 35,348,301 | 35,864,143 |
| Inventories | | 43,026,951 | 42,738,173 |
| Trade receivables | | 23,897,603 | 26,356,153 |
| Other receivables | | 210,107 | 481,255 |
| Prepayments | 8 | 852,311 | 917,952 |
| Receivables | | 24,960,021 | 27,755,360 |
| Cash | | 36,454 | 1,077,086 |
| Current assets | | 68,023,426 | 71,570,619 |
| Assets | | 138,291,944 | 140,458,872 |

Equity and liabilities

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|-------|--------------------|--------------------|
| Contributed capital | 9 | 1,000,000 | 1,000,000 |
| Retained earnings | | 13,180,753 | 10,651,682 |
| Proposed dividend for the financial year | | 113,000 | 110,600 |
| Equity | | 14,293,753 | 11,762,282 |
| Deferred tax | 10 | 8,344,000 | 7,659,000 |
| Provisions | | 8,344,000 | 7,659,000 |
| Mortgage debt | | 29,914,531 | 32,785,726 |
| Bank loans | | 13,450,000 | 12,200,000 |
| Joint taxation contribution payable | | 154,734 | 0 |
| Non-current liabilities other than provisions | 11 | 43,519,265 | 44,985,726 |
| Current portion of non-current liabilities other than provisions | 11 | 7,041,180 | 8,657,829 |
| Bank loans | | 23,685,477 | 24,062,150 |
| Trade payables | | 10,376,920 | 13,304,617 |
| Other payables | | 31,031,349 | 30,027,268 |
| Current liabilities other than provisions | | 72,134,926 | 76,051,864 |
| Liabilities other than provisions | | 115,654,191 | 121,037,590 |
| Equity and liabilities | | 138,291,944 | 140,458,872 |
| Uncertainty relating to recognition and measurement | 1 | | |
| Assets charged and collateral | 13 | | |
| Subsidiaries | 14 | | |

Consolidated statement of changes in equity for 2019/20

| | Contributed capital DKK | Retained earnings DKK | Proposed dividend for the financial year DKK | Total DKK |
|---------------------------|-------------------------------|-----------------------------|--|-------------------|
| Equity beginning of year | 1,000,000 | 10,651,682 | 110,600 | 11,762,282 |
| Ordinary dividend paid | 0 | 0 | (110,600) | (110,600) |
| Profit/loss for the year | 0 | 2,529,071 | 113,000 | 2,642,071 |
| Equity end of year | 1,000,000 | 13,180,753 | 113,000 | 14,293,753 |

Consolidated cash flow statement for 2019/20

| | Notes | 2019/20 DKK | 2018/19 DKK |
|---|-------|---------------------|---------------------|
| Operating profit/loss | | 7,231,998 | 7,494,733 |
| Amortisation, depreciation and impairment losses | | 753,923 | 715,672 |
| Working capital changes | 12 | 582,945 | 4,411,736 |
| Cash flow from ordinary operating activities | | 8,568,866 | 12,622,141 |
| Financial expenses paid | | (3,749,094) | (3,943,796) |
| Taxes refunded/(paid) | | (1,100) | 0 |
| Cash flows from operating activities | | 4,818,672 | 8,678,345 |
| Acquisition etc. of property, plant and equipment | | (1,039,189) | (925,438) |
| Sale of property, plant and equipment | | 22,000 | 30,000 |
| Acquisition of fixed asset investments | | (1,117,000) | (2,070,000) |
| Cash flows from investing activities | | (2,134,189) | (2,965,438) |
| Free cash flows generated from operations and investments before financing | | 2,684,483 | 5,712,907 |
| Loans raised | | 0 | 4,400,000 |
| Repayments of loans etc. | | (3,237,842) | (5,600,000) |
| Dividend paid | | (110,600) | (108,000) |
| Cash flows from financing activities | | (3,348,442) | (1,308,000) |
| Increase/decrease in cash and cash equivalents | | (663,959) | 4,404,907 |
| Cash and cash equivalents beginning of year | | (22,985,064) | (27,389,971) |
| Cash and cash equivalents end of year | | (23,649,023) | (22,985,064) |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 36,454 | 1,077,086 |
| Short-term bank loans | | (23,685,477) | (24,062,150) |
| Cash and cash equivalents end of year | | (23,649,023) | (22,985,064) |

Notes to consolidated financial statements

1 Uncertainty relating to recognition and measurement

The uncertainty relating to measurement of the receivable is mentioned in the management commentary to which we refer.

2 Staff costs

| | 2019/20 DKK | 2018/19 DKK |
|---------------------------------------|-------------------|-------------------|
| Wages and salaries | 44,900,914 | 46,604,840 |
| Pension costs | 2,758,402 | 2,822,863 |
| Other social security costs | 680,750 | 789,531 |
| | 48,340,066 | 50,217,234 |
| Average number of full-time employees | 91 | 97 |

3 Depreciation, amortisation and impairment losses

| | 2019/20 DKK | 2018/19 DKK |
|--|----------------|----------------|
| Depreciation on property, plant and equipment | 770,306 | 728,248 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (16,383) | (12,576) |
| | 753,923 | 715,672 |

4 Other financial expenses

| | 2019/20 DKK | 2018/19 DKK |
|--------------------------|------------------|------------------|
| Other interest expenses | 563,488 | 772,607 |
| Other financial expenses | 3,185,606 | 3,171,189 |
| | 3,749,094 | 3,943,796 |

5 Proposed distribution of profit/loss

| | 2019/20 DKK | 2018/19 DKK |
|--|------------------|------------------|
| Ordinary dividend for the financial year | 113,000 | 110,600 |
| Retained earnings | 2,529,071 | 2,559,337 |
| | 2,642,071 | 2,669,937 |

6 Property, plant and equipment

| | Land and buildings DKK | Other fixtures and fittings, tools and equipment DKK |
|---|------------------------------|--|
| Cost beginning of year | 53,902,818 | 32,555,424 |
| Additions | 270,729 | 768,460 |
| Disposals | 0 | (26,965) |
| Cost end of year | 54,173,547 | 33,296,919 |
| Depreciation and impairment losses beginning of year | (10,657,289) | (22,719,746) |
| Depreciation for the year | (129,843) | (640,463) |
| Reversal regarding disposals | 0 | 21,347 |
| Depreciation and impairment losses end of year | (10,787,132) | (23,338,862) |
| Carrying amount end of year | 43,386,415 | 9,958,057 |

7 Fixed asset investments

| | Other receivables DKK |
|--------------------------------------|-----------------------------|
| Cost beginning of year | 80,807,046 |
| Additions | 1,117,000 |
| Cost end of year | 81,924,046 |
| Impairment losses beginning of year | (65,000,000) |
| Impairment losses end of year | (65,000,000) |
| Carrying amount end of year | 16,924,046 |

8 Prepayments

The item comprises miscellaneous prepaid costs.

9 Contributed capital

| | Number | Par value DKK | Nominal value DKK |
|-----------------|--------------|------------------|-------------------------|
| Ordinary shares | 1,000 | 1,000 | 1,000,000 |
| | 1,000 | | 1,000,000 |

10 Deferred tax

| | 2019/20 DKK | 2018/19 DKK |
|------------------------------------|------------------|------------------|
| Changes during the year | | |
| Beginning of year | 7,659,000 | 6,778,000 |
| Recognised in the income statement | 685,000 | 881,000 |
| End of year | 8,344,000 | 7,659,000 |

Deferred tax relates to property, plant and equipment, inventories and other provisions.

11 Non-current liabilities other than provisions

| | Due within 12 months 2019/20 DKK | Due within 12 months 2018/19 DKK | Due after more than 12 months 2019/20 DKK | Outstanding after 5 years 2019/20 DKK |
|-------------------------------------|---|---|---|--|
| Mortgage debt | 2,841,180 | 1,457,829 | 29,914,531 | 19,387,765 |
| Bank loans | 4,200,000 | 7,200,000 | 13,450,000 | 4,200,000 |
| Joint taxation contribution payable | 0 | 0 | 154,734 | 154,734 |
| | 7,041,180 | 8,657,829 | 43,519,265 | 23,742,499 |

12 Changes in working capital

| | 2019/20 DKK | 2018/19 DKK |
|--|----------------|------------------|
| Increase/decrease in inventories | (288,778) | 255,489 |
| Increase/decrease in receivables | 2,795,339 | 2,469,303 |
| Increase/decrease in trade payables etc. | (1,923,616) | 1,686,944 |
| | 582,945 | 4,411,736 |

13 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties with a book value of DKK 43,386 thousand as of 30.09.2020.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 45,000 thousand nominal.

A company charge of consolidated DKK 35,000 thousand has been provided as security for the combined bank debt of the consolidated companies. The charge comprises trade receivables, inventories, other fixtures and fittings, tools and equipment and intangible assets.

14 Subsidiaries

| | Registered in | Ownership % |
|-------------------------|----------------------|------------------------|
| Sørensen & Kofoed A/S | Herlev | 100 |
| B.S. Specialslanger A/S | Herlev | 100 |
| Linatex A/S | Herlev | 100 |

Parent income statement for 2019/20

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|-------|--------------------|--------------------|
| Gross profit/loss | | 1,225,647 | 1,390,619 |
| Staff costs | 2 | (4,353,523) | (4,243,013) |
| Depreciation, amortisation and impairment losses | 3 | (164,469) | (157,026) |
| Operating profit/loss | | (3,292,345) | (3,009,420) |
| Income from investments in group enterprises | | 7,288,128 | 7,009,788 |
| Other financial expenses | 4 | (2,655,086) | (2,536,319) |
| Profit/loss before tax | | 1,340,697 | 1,464,049 |
| Tax on profit/loss for the year | 5 | 1,301,374 | 1,205,888 |
| Profit/loss for the year | 6 | 2,642,071 | 2,669,937 |

Parent balance sheet at 30.09.2020

Assets

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|----------|-------------------|-------------------|
| Other fixtures and fittings, tools and equipment | | 752,477 | 730,580 |
| Property, plant and equipment | 7 | 752,477 | 730,580 |
| Investments in group enterprises | | 34,578,261 | 35,290,133 |
| Other receivables | | 16,924,046 | 15,807,046 |
| Fixed asset investments | 8 | 51,502,307 | 51,097,179 |
| Fixed assets | | 52,254,784 | 51,827,759 |
| Receivables from group enterprises | | 4,660,867 | 2,311,954 |
| Deferred tax | 9 | 0 | 254,000 |
| Other receivables | | 0 | 242,479 |
| Tax receivable | | 3,275,361 | 3,093,694 |
| Prepayments | 10 | 343,417 | 490,778 |
| Receivables | | 8,279,645 | 6,392,905 |
| Cash | | 1,476 | 1,476 |
| Current assets | | 8,281,121 | 6,394,381 |
| Assets | | 60,535,905 | 58,222,140 |

Equity and liabilities

| | Notes | 2019/20 DKK | 2018/19 DKK |
|--|-------|-------------------|-------------------|
| Contributed capital | | 1,000,000 | 1,000,000 |
| Retained earnings | | 13,180,753 | 10,651,682 |
| Proposed dividend for the financial year | | 113,000 | 110,600 |
| Equity | | 14,293,753 | 11,762,282 |
| Deferred tax | 9 | 90,000 | 0 |
| Provisions | | 90,000 | 0 |
| Bank loans | | 13,450,000 | 12,200,000 |
| Non-current liabilities other than provisions | 11 | 13,450,000 | 12,200,000 |
| Current portion of non-current liabilities other than provisions | 11 | 4,200,000 | 7,200,000 |
| Bank loans | | 12,124,495 | 9,529,140 |
| Trade payables | | 341,320 | 440,125 |
| Payables to group enterprises | | 0 | 3,114,794 |
| Other payables | | 16,036,337 | 13,975,799 |
| Current liabilities other than provisions | | 32,702,152 | 34,259,858 |
| Liabilities other than provisions | | 46,152,152 | 46,459,858 |
| Equity and liabilities | | 60,535,905 | 58,222,140 |
| Uncertainty relating to recognition and measurement | 1 | | |
| Contingent liabilities | 12 | | |
| Assets charged and collateral | 13 | | |

Parent statement of changes in equity for 2019/20

| | Contributed capital DKK | Retained earnings DKK | Proposed dividend for the year DKK | Total DKK |
|---------------------------|-------------------------------|-----------------------------|---|-------------------|
| Equity beginning of year | 1,000,000 | 10,651,682 | 110,600 | 11,762,282 |
| Ordinary dividend paid | 0 | 0 | (110,600) | (110,600) |
| Profit/loss for the year | 0 | 2,529,071 | 113,000 | 2,642,071 |
| Equity end of year | 1,000,000 | 13,180,753 | 113,000 | 14,293,753 |

Notes to parent financial statements

1 Uncertainty relating to recognition and measurement

The uncertainty relating to measurement of the receivable is mentioned in the management commentary to which we refer.

2 Staff costs

| | 2019/20 DKK | 2018/19 DKK |
|---------------------------------------|------------------|------------------|
| Wages and salaries | 4,152,611 | 4,042,518 |
| Pension costs | 160,788 | 158,463 |
| Other social security costs | 40,124 | 42,032 |
| | 4,353,523 | 4,243,013 |
| Average number of full-time employees | 6 | 6 |

3 Depreciation, amortisation and impairment losses

| | 2019/20 DKK | 2018/19 DKK |
|---|----------------|----------------|
| Depreciation on property, plant and equipment | 164,469 | 157,026 |
| | 164,469 | 157,026 |

4 Other financial expenses

| | 2019/20 DKK | 2018/19 DKK |
|--------------------------|------------------|------------------|
| Other financial expenses | 2,655,086 | 2,536,319 |
| | 2,655,086 | 2,536,319 |

5 Tax on profit/loss for the year

| | 2019/20 DKK | 2018/19 DKK |
|--------------------------------------|--------------------|--------------------|
| Current tax | (1,646,474) | (1,628,888) |
| Change in deferred tax | 344,000 | 423,000 |
| Adjustment concerning previous years | 1,100 | 0 |
| | (1,301,374) | (1,205,888) |

6 Proposed distribution of profit and loss

| | 2019/20 DKK | 2018/19 DKK |
|--|------------------|------------------|
| Ordinary dividend for the financial year | 113,000 | 110,600 |
| Retained earnings | 2,529,071 | 2,559,337 |
| | 2,642,071 | 2,669,937 |

7 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK |
|---|--|
| Cost beginning of year | 1,516,874 |
| Additions | 186,366 |
| Cost end of year | 1,703,240 |
| Depreciation and impairment losses beginning of year | (786,294) |
| Depreciation for the year | (164,469) |
| Depreciation and impairment losses end of year | (950,763) |
| Carrying amount end of year | 752,477 |

8 Fixed asset investments

| | Investments in group enterprises DKK | Other receivables DKK |
|--------------------------------------|---|-----------------------------|
| Cost beginning of year | 57,696,250 | 80,807,046 |
| Additions | 0 | 1,117,000 |
| Cost end of year | 57,696,250 | 81,924,046 |
| Impairment losses beginning of year | (22,406,117) | (65,000,000) |
| Share of profit/loss for the year | 7,288,128 | 0 |
| Dividend | (8,000,000) | 0 |
| Impairment losses end of year | (23,117,989) | (65,000,000) |
| Carrying amount end of year | 34,578,261 | 16,924,046 |

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

9 Deferred tax

| | 2019/20 DKK | 2018/19 DKK |
|------------------------------------|-----------------|----------------|
| Changes during the year | | |
| Beginning of year | 254,000 | 677,000 |
| Recognised in the income statement | (344,000) | (423,000) |
| End of year | (90,000) | 254,000 |

Deferred tax relates to plant and equipment.

10 Prepayments

The item comprises miscellaneous prepaid costs.

11 Non-current liabilities other than provisions

| | Due within 12 months 2019/20 DKK | Due within 12 months 2018/19 DKK | Due after more than 12 months 2019/20 DKK | Outstanding after 5 years 2019/20 DKK |
|------------|---|---|---|--|
| Bank loans | 4,200,000 | 7,200,000 | 13,450,000 | 4,200,000 |
| | 4,200,000 | 7,200,000 | 13,450,000 | 4,200,000 |

12 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is, therefore, liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

13 Assets charged and collateral

The Entity has jointly and severally guaranteed the combined bank debt of the consolidated companies which amounts to DKK 41,335 thousand at 30.09.2020.

Accounting policies

Reporting class

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

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales, costs of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise depreciation and impairment losses for the financial year and gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Land and buildings and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|-------------------|
| Buildings | 50 years |
| Other fixtures and fittings, tools and equipment | 5-20 years |
| Cars | 5 years |
| IT equipment | 2-5 year |

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 group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

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 will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve

for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually.

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

Receivables

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

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Deferred tax

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

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.