



SAMSØE & SAMSØE WHOLE SALE ApS

Ryesgade 19 C
2200 København N
CVR No. 25191811

Annual report 2023

The Annual General Meeting adopted the annual report on 16.05.2024

Per Ulrik Andersen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	12
Balance sheet at 31.12.2023	13
Statement of changes in equity for 2023	15
Notes	16
Accounting policies	20

Entity details

Entity

SAMSØE & SAMSØE WHOLE SALE ApS
Ryesgade 19 C
2200 København N

Business Registration No.: 25191811
Registered office: København
Financial year: 01.01.2023 - 31.12.2023

Executive Board

Peter Sextus Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of SAMSØE & SAMSØE WHOLE SALE ApS for the financial year 01.01.2023 - 31.12.2023.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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

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

Copenhagen, 16.05.2024

Executive Board

Peter Sextus Rasmussen

Independent auditor's report

To the shareholders of SAMSØE & SAMSØE WHOLE SALE ApS

Opinion

We have audited the financial statements of SAMSØE & SAMSØE WHOLE SALE ApS for the financial year 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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:

- 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 16.05.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Hans Tauby

State Authorised Public Accountant

Identification No (MNE) mne44339

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	447,675	464,507	444,553	395,249	459,458
Gross profit/loss	117,112	101,435	125,329	89,764	112,039
Operating profit/loss	55,893	47,852	57,133	32,745	46,010
Net financials	(146)	639	(2,412)	1,684	1,734
Profit/loss for the year	42,241	37,663	43,112	26,784	37,146
Total assets	97,480	130,303	155,662	148,806	133,029
Investments in property, plant and equipment	1,699	0	43	1,323	7,784
Equity	46,281	47,046	63,179	65,746	41,516
Average number of employees	111	123	121	126	138
Ratios					
Gross margin (%)	26.16	21.84	28.19	22.71	24.39
EBIT margin (%)	12.49	10.30	12.85	8.28	10.01
Net margin (%)	9.44	8.11	9.70	6.78	8.08
Return on equity (%)	90.52	68.34	66.88	49.94	90.68
Equity ratio (%)	47.48	36.11	40.59	44.18	31.21

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Equity}} * 100$

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The Company's primary activity is to design, produce, market and sell clothing and accessories.

Development in activities and finances

The Company's income statement for 2023 shows a profit of DKK 42,241,383, and the Company's balance sheet as of 31 December 2023 shows equity of DKK 46,281,461.

Profit/loss for the year in relation to expected developments

The outlook in 2022 was to have an increase in the profit of the year due to optimization of the business both domestically and abroad.

The profit for the year has met the expectations and the management is satisfied with the result.

Uncertainty relating to recognition and measurement

There has been no uncertainty relating to recognition and measurement in the annual report.

Outlook

The digitalization strategy are starting to show results, our digitalization will continue in 2024 and expect to have a higher impact in 2024. Therefore the management expect an increase in the activity and profit of the year due to optimization of the business both domestically and abroad.

The expected revenue is in the range DKK 450.000.000 and DKK 470.000.000, while the expected profit of the year is in the range DKK 44.000.000 and DKK 50.000.000.

Use of financial instruments

Market risks

It is the Group Management's opinion that the market is facing a greater focus in relation to the environmental impact and upcoming regulation in the industry, the management is aware of this and will continue their focus on minimizing the environmental impact.

Currency risks

Imports are mainly in EUR and USD. The Group's borrowing takes place primarily in DKK. As a rule, currency hedging is provided for the majority of total imports. An increase in USD and EUR will negatively affect the company's results.

Interest rate risks

Net interest-bearing debt is non-material. An increase in interest rates is therefore not expected to significantly affect the company's results.

No positions are entered into to hedge interest rate risks.

Environmental performance

We believe in doing business in a way that focusses on respecting planetary boundaries, reducing our impact and regenerating ecosystems.

Environmental Footprint

In recent years have taken important steps towards reducing the impact from our own operations, including switching to renewable energy through green certificates and electrifying our car fleet. Our 2022 Footprint

calculation showed us indirect emissions value chain emissions make up the largest part of our carbon footprint, as common in the fashion industry. In 2023 we have continued to progress on our initiatives related to the sourcing of materials and our means of transportation, to further lower our environmental footprint in the most significant area of impact. Taken further steps in our Climate Strategy by making it measure and actionable, in 2024 we will start a partnership with Carbon Fact, a climate software solution – to calculate and report over our product footprints in accordance to PEF, and report over Scope 1,2,3 emissions in accordance with the GHG protocol.

Environmental Risk mitigation

We are dedicated to mitigating the risks outlined in our materiality assessment by carefully sourcing more sustainable materials, optimizing our production methods, and partnering with suppliers who share our commitment responsible practices. To guide our environmental sustainability work, Samsøe Samsøe has the following policies in place:

Climate Change Policy.

Our Climate Change Policy outlines our goal of aligning our climate targets with the Science-based Targets Initiative, reducing emissions in line with the Paris Agreement goals of limiting global warming to well-below 2°C compared to pre-industrial levels and pursuing efforts towards 1.5°C.

Our Climate Change policy will be revised in 2024 as we set a baseline for financial year 2024, using a third-party verified methodology.

Environmental Policy.

Our environmental policy outlines the expectations of supplier collaboration – and is included as part of our Code of Conduct. It outlines and engages our suppliers to adopt more responsible practices, introduces our Materials Strategy and sourcing requirements, chemical usage, as well as aspirations for our partners to report on their resource usage and waste reporting.

Chemical Policy and Restricted Substance List

Our Chemical Policy & Restricted Substance List is a part of our Code of Conduct and outlines the requirements to our suppliers to adhere to national and EU legislation and to comply with REACH/SVHC. With this policy, we introduce our specific Restricted Substance List (RSL), which outlines limitations and prohibition of substances in all products manufactured for Samsøe Samsøe. Our RSL, developed by the AFIRM Group, aims to guide and assist supply chain partners seeking to increase product quality and safety and reduce their environmental impact by limiting the use of certain substances in apparel, footwear, accessories, other textile products, and packaging materials.

Materials

In 2023, supply chain and economic factors further challenged our CSR commitments as the market continued to be volatile. This did not prevent us from reaching our targets for sourcing more responsible materials.

In 2023, 88% of all materials used were classified as more responsible according to our Materials Strategy. This is up from 82% in 2024 and brings us a step closer in reaching 100% more Responsible materials by 2024.

The percentage of recycled materials used in 23% of our total material consumption, of which 53% is full-chain GRS certified.

As we approach our initial 2024 target of achieving 100% more responsible material use by 2024, our Materials

Strategy will be revised in the coming year, and the goalposts will be moved to further raise our ambitions in line with industry standards.

Our 2023 materials strategy can be found here:
www.samsøe.com/da-DK/material_strategy.html

Product impact

In 2023 we continued our annual partnership with DTU, by partnering with two groups of master students, to conduct LCA (Life Cycle Assessment) studies of two of our key styles. These studies concluded that roughly 70% of our products' impact lies within the raw material stage of the manufacturing process, reiterating the importance of an ambitious materials strategy. To further understand the impact of our products and supply chain, we will commence a partnership with a verified carbon management platform. In collaboration with this partner, we intend to set verified science-based reduction targets, enabling us to align our actions with a trajectory that is compliant with the latest climate science.

Circularity

Circularity is an integral part of our CSR strategy; we aim to design for the full life cycle of a garment with the intention of reducing, enabling repair, reuse and recycling throughout our interactions with the customer. The systems of the fashion industry are not yet set up to support circularity at scale, but we as a business have the opportunity to support in shaping the solutions. For this reason, Samsøe Samsøe participated in the TRACE project in 2023. TRACE is a multi-stakeholder initiative initiated by Lifestyle and Design Cluster and brings together academics, industry and solution providers, to advance the transition towards the circular economy. Our design and production teams continue to progress on our circularity targets. A key focus for the department has been the reduction of fibre uses per composition, as blended materials significantly increase the impact at the end-of-life, as it limits textile-to-textile recycling.

The share of mono fibre materials increased from 36% (2022) to 43% in 2023.

In 2024, we will continue to support our team by strengthening our design principles for circularity. In doing so, we aim to approach circularity from a full garment's perspective, moving beyond shell materials, and considering finishing and trims as an integral part of a product's impact.

Furthermore, we have partnered with resale platform TISE on a pilot project to review opportunities for Samsøe Samsøe to scale the resale market and integrate resale as in future business models. We took great learnings from this initial project and aim to continue and scale circularity projects in 2024.

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.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Revenue		447,674,791	464,507,074
Other operating income		2,411,224	910,433
Cost of sales		(221,239,609)	(245,489,407)
Other external expenses		(111,734,494)	(118,493,538)
Gross profit/loss		117,111,912	101,434,562
Staff costs	2	(59,121,900)	(51,531,278)
Depreciation, amortisation and impairment losses	3	(2,096,722)	(1,755,201)
Other operating expenses		0	(295,628)
Operating profit/loss		55,893,290	47,852,455
Other financial income	4	2,992,293	4,075,533
Other financial expenses	5	(3,137,829)	(3,436,575)
Profit/loss before tax		55,747,754	48,491,413
Tax on profit/loss for the year	6	(13,506,371)	(10,827,928)
Profit/loss for the year	7	42,241,383	37,663,485

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Other fixtures and fittings, tools and equipment		494,704	65,501
Leasehold improvements		3,494,041	4,321,324
Property, plant and equipment	8	3,988,745	4,386,825
Deposits		3,521,539	3,381,255
Financial assets	9	3,521,539	3,381,255
Fixed assets		7,510,284	7,768,080
Manufactured goods and goods for resale		33,777,159	45,214,484
Prepayments for goods		14,830,084	20,381,920
Inventories		48,607,243	65,596,404
Trade receivables		29,380,976	33,245,930
Receivables from group enterprises		2,330,402	19,248,287
Deferred tax	10	0	842,160
Other receivables		2,867,943	1,231,178
Derivative financial instruments	11	5,608	0
Receivables		34,584,929	54,567,555
Cash		6,777,198	2,370,502
Current assets		89,969,370	122,534,461
Assets		97,479,654	130,302,541

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital	12	125,000	125,000
Reserve for fair value adjustments of hedging instruments		4,374	(1,989,634)
Retained earnings		6,152,087	3,910,704
Proposed dividend		40,000,000	45,000,000
Equity		46,281,461	47,046,070
Deferred tax	10	175,474	0
Provisions		175,474	0
Other payables	13	0	76,528
Non-current liabilities other than provisions	14	0	76,528
Trade payables		21,124,557	55,398,212
Payables to group enterprises		3,166,477	0
Payables to shareholders and management		210,945	303,558
Joint taxation contribution payable		13,049,914	10,831,855
Other payables		13,348,475	16,418,286
Deferred income	15	122,351	228,032
Current liabilities other than provisions		51,022,719	83,179,943
Liabilities other than provisions		51,022,719	83,256,471
Equity and liabilities		97,479,654	130,302,541
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Non-arm's length related party transactions	20		
Group relations	21		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	125,000	(1,989,634)	3,910,704	45,000,000	47,046,070
Ordinary dividend paid	0	0	0	(45,000,000)	(45,000,000)
Fair value adjustments of hedging instruments	0	2,556,420	0	0	2,556,420
Tax of entries on equity	0	(562,412)	0	0	(562,412)
Profit/loss for the year	0	0	2,241,383	40,000,000	42,241,383
Equity end of year	125,000	4,374	6,152,087	40,000,000	46,281,461

Notes

1 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.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	51,939,693	45,987,508
Pension costs	2,202,486	1,766,475
Other social security costs	2,015,527	1,162,544
Other staff costs	2,964,194	2,614,751
	59,121,900	51,531,278
Average number of full-time employees	111	123

Med henvisning til årsregnskabslovens § 98 B stk. 3 er vederlaget til direktionen ikke oplyst.

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Depreciation of property, plant and equipment	2,096,722	1,755,201
	2,096,722	1,755,201

4 Other financial income

	2023	2022
	DKK	DKK
Exchange rate adjustments	0	570,007
Other financial income	2,992,293	3,505,526
	2,992,293	4,075,533

5 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	1,750,922	3,347,864
Exchange rate adjustments	1,386,116	0
Interest regarding tax paid on account	0	76,528
Other financial expenses	791	12,183
	3,137,829	3,436,575

6 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	12,487,502	10,683,431
Change in deferred tax	1,017,634	144,497
Adjustment concerning previous years	1,235	0
	13,506,371	10,827,928

7 Proposed distribution of profit and loss

	2023	2022
	DKK	DKK
Ordinary dividend for the financial year	40,000,000	45,000,000
Retained earnings	2,241,383	(7,336,515)
	42,241,383	37,663,485

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	2,809,767	11,934,010
Transfers	0	29,799
Additions	561,220	1,137,422
Disposals	(573,963)	0
Cost end of year	2,797,024	13,101,231
Depreciation and impairment losses beginning of year	(2,744,266)	(7,612,686)
Transfers	0	(29,799)
Depreciation for the year	(132,017)	(1,964,705)
Reversal regarding disposals	573,963	0
Depreciation and impairment losses end of year	(2,302,320)	(9,607,190)
Carrying amount end of year	494,704	3,494,041

9 Financial assets

	Deposits DKK
Cost beginning of year	3,381,255
Additions	140,284
Cost end of year	3,521,539
Carrying amount end of year	3,521,539

10 Deferred tax

	2023 DKK	2022 DKK
Property, plant and equipment	(175,474)	842,160
Deferred tax	(175,474)	842,160

Changes during the year	2023 DKK	2022 DKK
Beginning of year	842,160	(232,530)
Recognised in the income statement	(1,017,634)	565,105
Recognised directly in equity	0	509,585
End of year	(175,474)	842,160

11 Derivative financial instruments

The Company has forward exchange contracts that covers a period of 3-9 months. The Company has entered the forward exchange contracts to hedge the exchange rate risk on the expected future foreign exchange cashflow.

The forward exchange contracts is enteted with the Company's usual credit institution and the contracts has a value of DKK 5,608 as of 31.12.2023.

The valuation of the forward exchange contracts is based on a discounted cash flow method, in which the expected future cash flows in the financial instruments, are based on relevant, observable forward exchange rates, which is discounted to 31.12.2023 with a discount rate that reflects the credit risk related to both the counterparty (Samsøe & Samsøe Whole Sale ApS) and the credit institution.

A total of eight forward exchange contracts has been entered by the Company as of 31.12.2023. The contracts is related to purchase of USD at exchange rates between 6.566 - 6.790 which is executed in the period 27. March 2024 to 30. September 2024.

12 Share capital

	Number	Par value DKK	Nominal value DKK
Shares	125	1000	125,000
	125		125,000

13 Other payables

	2023 DKK	2022 DKK
Holiday pay obligation	0	76,528
	0	76,528

14 Non-current liabilities other than provisions

There are no liabilities that are due more than 5 years from the balance sheet date.

15 Deferred income

Deferred income comprises giftcards.

16 Unrecognised rental and lease commitments

	2023	2022
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	9,959,242	12,090,000

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where P & P Holdings A/S serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Assets charged and collateral

The Company has secured the engagement with the bank connection by way of mortgage comprising simple claims, inventories, unregistered vehicles, property, plant and equipment and goodwill. The nominal value of the mortgage is DKK 11,000,000 as security for balances with credit institutions in the company as well as for its parent company Samsøe & Samsøe Holding A/S and its sister companies in the Samsøe & Samsøe group.

The Company has entered into a guarantee of payment for balances with credit institutions in the company as well as for its parent company Samsøe & Samsøe Holding A/S and its sister companies in the Samsøe & Samsøe group and ENVII group. The guarantee of payment is limited at DKK 62,000,000. The bank balance for the engagement is a deposit of DKK 11,615,686 as of 31.12.2023.

19 Related parties with controlling interest

Samsøe & Samsøe Holding A/S owns all shares in the Company, thus exercising control.

P & P Holdings A/S owns all shares in Samsøe & Samsøe Holding A/S and has indirect exercising control over the Company.

20 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

P & P Holdings A/S, Copenhagen

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

P & P Holdings A/S, Copenhagen

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 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.

Income statement

Revenue

Revenue from the sale of 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, including profit from the sale of intangible assets and property, plant and equipment.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and comprise depreciation, amortisation and impairment losses for the financial year.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

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 Entity is jointly taxed with all 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**

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

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 of 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.

Receivables

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 the tax-based value of assets and liabilities, for which the tax-based value 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.

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

Other financial liabilities

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of P & P Holdings A/S, Business Reg. No. 32325807.