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Four Design Group Limited ApS

Faaborgvej 14, 5854 Gislev

CVR no. 25 36 37 87

Annual report
for the financial year 01.07.16 - 30.06.17

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.10.17

Ervin Keldorff
Dirigent

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Group information etc.

The company

Four Design Group Limited ApS
Faaborgvej 14
5854 Gislev
Registered office: Gislev
CVR no.: 25 36 37 87
Financial year: 01.07 - 30.06
17. regnskabsår

Executive Board

Ervin Keldorff

Board Of Directors

Alistair Storrar Gough, chairman
Stephen Alan Thomas
Ervin Keldorff
Peter Gudemoos Jørgensen
Christian Julin Markenfeldt

Auditors

RSM Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

OCEE International Limited, England

Subsidiaries

Four Design Danmark A/S, Gislev
Four Design Export ApS, Gislev
Four Design A/S, Gislev

Statement of the Supervisory Board and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.07.16 - 30.06.17 for Four Design Group Limited ApS.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 30.06.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.07.16 - 30.06.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Gislev, September 13, 2017

Executive Board

Ervin Keldorff

Supervisory Board

Alistair Storrar Gough Chairman	Stephen Alan Thomas	Ervin Keldorff
Peter Gudemoos Jørgensen	Christian Julin Markenfeldt	

Independent auditor's report

To the capital owner of Four Design Group Limited ApS

Opinion

We have audited the consolidated financial statements and parent company financial statements of Four Design Group Limited ApS for the financial year 01.07.16 - 30.06.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 30.06.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.07.16 - 30.06.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 Financial Statements Act.

Based on the work we have performed, we conclude that management’s review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management’s review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient 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 per-formance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

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.

Odense, September 13, 2017

RSM Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Henrik Welinder
State Authorized Public Accountant

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in TDKK	2016/17	2015/16	2014/15	2013/14	2012/13
Profit/loss					
Gross result	55.028	41.825	31.791	28.997	34.848
Operating profit/loss	21.389	11.011	4.476	5.118	10.661
Total net financials	-53	-216	-552	-487	-379
Profit/loss for the year	16.619	8.402	3.016	3.534	7.696
Balance					
Total assets	58.805	56.750	51.475	45.449	39.938
Equity	32.961	32.342	26.941	23.925	24.391
Cashflow					
Net cash flow:					
Operating activities	24.835	8.180	-5.204	3.680	3.315
Investing activities	-1.819	-610	-2.080	-2.608	-430
Financing activities	-16.000	-3.000	-380	-4.492	-476
Cash flows for the year	7.016	4.570	-7.664	-3.420	2.409

Ratios

	2016/17	2015/16	2014/15	2013/14	2012/13
Profitability					
Return on equity	51%	28%	12%	15%	37%
Equity ratio					
Equity interest	56%	57%	52%	53%	61%
Others					
Number of employees (average)	54	52	50	45	48

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Management's review

Primary activities

The company's activities comprise being holding company for companies that develop, produce and sell furnitures.

Development in activities and financial affairs

The income statement for the period 01.07.16 - 30.06.17 shows a profit/loss of DKK 16,618,785 against DKK 8,401,661 for the period 01.07.15 - 30.06.16. The balance sheet shows equity of DKK 32,961,104.

The management considers the net profit for the year to be satisfactory. Activities during the year as a whole is carried out according to the management plan.

Outlook

Management expects revenue in the domestic market will be on a par with last year, while export markets are expected to grow. As a result, operating profit is expected to be at the same level as last year.

Special risks

Management believes that there will be no major risks for the Group.

External environment

The company acts in accordance with the applicable environmental and security legislation, and in 2011 work was initiated to obtain environmental certification under the ISO 14001 standard for the factory in Gislev. The work to maintain and improve the conditions under environmental certification is constantly going on..

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		Group 2016/17 DKK	Group 2015/16 DKK	Parent 2016/17 DKK	Parent 2015/16 DKK
	Gross result	**55.028.303**	**41.824.617**	**-111.522**	**-52.770**
1	Staff costs	-31.567.547	-29.245.101	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**23.460.756**	**12.579.516**	**-111.522**	**-52.770**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-2.072.249	-1.568.942	0	0
	Profit/loss before net financials	**21.388.507**	**11.010.574**	**-111.522**	**-52.770**
	Income from equity investments in group enterprises	0	0	16.705.345	8.442.947
2	Financial income	14.491	72.210	470	0
3	Financial expenses	-67.695	-288.626	0	0
	Profit/loss before tax	**21.335.303**	**10.794.158**	**16.594.293**	**8.390.177**
4	Tax on profit or loss for the year	-4.716.518	-2.392.497	24.492	11.484
	Profit/loss for the year	**16.618.785**	**8.401.661**	**16.618.785**	**8.401.661**

Proposed appropriation account

	Group 2016/17 DKK	Group 2015/16 DKK	Parent 2016/17 DKK	Parent 2015/16 DKK
Reserve for net revaluation according to the equity method	0	0	705.345	8.442.947
Extraordinary dividend for the financial year	16.000.000	0	16.000.000	0
Retained earnings	618.785	8.401.661	-86.560	-41.286
Total	**16.618.785**	**8.401.661**	**16.618.785**	**8.401.661**

Balance sheet

ASSETS

Note		Group 30.06.17 DKK	Group 30.06.16 DKK	Parent 30.06.17 DKK	Parent 30.06.16 DKK
	Land and buildings	6.024.953	6.416.043	0	0
	Plant and machinery	4.406.233	4.311.044	0	0
	Other fixtures and fittings, tools and equipment	775.817	551.666	0	0
6	**Total property, plant and equipment**	**11.207.003**	**11.278.753**	**0**	**0**
7	Equity investments in group enterprises	0	0	35.100.228	34.394.883
8	Deposits	177.866	173.017	0	0
	Total investments	**177.866**	**173.017**	**35.100.228**	**34.394.883**
	Total non-current assets	**11.384.869**	**11.451.770**	**35.100.228**	**34.394.883**
	Raw materials and consumables	14.202.593	17.419.672	0	0
	Manufactured goods and goods for resale	476.747	325.948	0	0
	Total inventories	**14.679.340**	**17.745.620**	**0**	**0**
	Trade receivables	20.854.747	21.190.688	0	0
	Receivables from group enterprises	6.152.049	2.759.196	2.273.732	218.526
	Other receivables	3.469.564	3.248.131	0	0
9	Prepayments	152.815	338.858	0	0
	Total receivables	**30.629.175**	**27.536.873**	**2.273.732**	**218.526**
	Cash	**2.111.541**	**16.227**	**0**	**0**
	Total current assets	**47.420.056**	**45.298.720**	**2.273.732**	**218.526**
	Total assets	**58.804.925**	**56.750.490**	**37.373.960**	**34.613.409**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		30.06.17 DKK	30.06.16 DKK	30.06.17 DKK	30.06.16 DKK
	Share capital	200.000	200.000	200.000	200.000
	Reserve for net revaluation according to the equity method	0	0	25.283.086	24.577.741
	Retained earnings	32.761.104	32.142.319	7.478.018	7.564.578
	Total equity	**32.961.104**	**32.342.319**	**32.961.104**	**32.342.319**
10	Provisions for deferred tax	651.071	669.409	0	0
	Total provisions	**651.071**	**669.409**	**0**	**0**
	Income taxes	4.362.856	2.030.670	4.362.856	2.030.670
	Total long-term payables	**4.362.856**	**2.030.670**	**4.362.856**	**2.030.670**
	Payables to other credit institutions	0	4.920.508	0	0
	Trade payables	8.524.762	7.965.340	50.000	35.000
	Payables to group enterprises	0	0	0	205.420
	Other payables	12.305.132	8.822.244	0	0
	Total short-term payables	**20.829.894**	**21.708.092**	**50.000**	**240.420**
	Total payables	**25.192.750**	**23.738.762**	**4.412.856**	**2.271.090**
	Total equity and liabilities	**58.804.925**	**56.750.490**	**37.373.960**	**34.613.409**

11 Contingent liabilities
12 Charges and security

Statement of changes in equity

Figures in DKK	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Total equity
Group:					
Statement of changes in equity for 01.07.16 - 30.06.17					
Balance pr. 01.07.16	200.000	0	32.142.319	0	32.342.319
Extraordinary dividend paid	0	0	-16.000.000	0	-16.000.000
Net profit/loss for the year	0	0	16.618.785	0	16.618.785
Balance as at 30.06.17	200.000	0	32.761.104	0	32.961.104
Parent:					
Statement of changes in equity for 01.07.16 - 30.06.17					
Balance pr. 01.07.16	200.000	24.577.741	7.564.578	0	32.342.319
Extraordinary dividend paid	0	0	-16.000.000	0	-16.000.000
Net profit/loss for the year	0	705.345	15.913.440	0	16.618.785
Balance as at 30.06.17	200.000	25.283.086	7.478.018	0	32.961.104

Consolidated cash flow statement

Note		Group 2016/17 DKK	Group 2015/16 DKK
	Net profit/loss for the year	**16.618.785**	**8.401.661**
13	Adjustments	6.655.397	4.243.105
	Change in working capital:		
	Inventories	3.066.280	2.312.777
	Receivables	-3.092.303	-8.550.241
	Other payables relating to operating activities	4.042.310	2.915.565
	Cash flows from operating activities before net financials	**27.290.469**	**9.322.867**
	Interest income and similar income received	14.491	72.210
	Interest expenses and similar expenses paid	-67.695	-353.876
	Income tax paid	-2.402.670	-861.228
	Cash flows from operating activities	**24.834.595**	**8.179.973**
	Purchase of property, plant and equipment	-2.278.924	-680.214
	Sale of property, plant and equipment	465.000	75.000
	Purchase of investments	-4.849	-4.713
	Cash flows from investing activities	**-1.818.773**	**-609.927**
	Dividend paid	-16.000.000	-3.000.000
	Cash flows from financing activities	**-16.000.000**	**-3.000.000**
	Total cash flows for the year	**7.015.822**	**4.570.046**
	Cash, beginning of year	16.227	18.907
	Short-term payables to credit institutions, beginning of year	-4.920.508	-9.493.234
	Cash, end of year	**2.111.541**	**-4.904.281**
	Cash, end of year, comprises:		
	Cash	2.111.541	16.227
	Short-term payables to credit institutions	0	-4.920.508
	Total	**2.111.541**	**-4.904.281**

	Group		Parent	
	2016/17 DKK	2015/16 DKK	2016/17 DKK	2015/16 DKK

1. Staff costs

Wages and salaries	28.858.034	26.601.783	0	0
Pensions	1.578.352	1.586.744	0	0
Other social security costs	602.916	494.511	0	0
Other staff costs	528.245	562.063	0	0
Total	31.567.547	29.245.101	0	0
Average number of employees during the year	54	52	0	0

Remuneration for the management:

2. Financial income

Other interest income	14.491	72.210	470	0

3. Financial expenses

Other interest expenses	39.787	221.925	0	0
Foreign currency translation adjustments	7.642	49.513	0	0
Other financial expenses	20.266	17.188	0	0
Total	67.695	288.626	0	0

4. Tax on profit or loss for the year

Current tax for the year	4.734.856	2.397.670	-24.492	-11.484
Adjustment of deferred tax for the year	-18.338	-5.173	0	0
Total	4.716.518	2.392.497	-24.492	-11.484

	Group		Parent	
	2016/17 DKK	2015/16 DKK	2016/17 DKK	2015/16 DKK

5. Distribution of net profit

	Group 2016/17 DKK	Group 2015/16 DKK	Parent 2016/17 DKK	Parent 2015/16 DKK
Reserve for net revaluation according to the equity method	0	0	705.345	8.442.947
Extraordinary dividend for the financial year	16.000.000	0	16.000.000	0
Retained earnings	618.785	8.401.661	-86.560	-41.286
Total	16.618.785	8.401.661	16.618.785	8.401.661

6. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:			
Cost pr. 01.07.16	12.877.116	7.702.695	1.725.265
Additions during the year	67.120	1.549.823	661.982
Disposals during the year	0	-713.274	-701.080
Cost as at 30.06.17	12.944.236	8.539.244	1.686.167
Depreciation and impairment losses pr. 01.07.16	-6.461.073	-3.391.651	-1.173.599
Depreciation during the year	-458.210	-1.454.634	-159.405
Reversal of depreciation of and impairment losses on disposed assets	0	713.274	422.654
Depreciation and impairment losses as at 30.06.17	-6.919.283	-4.133.011	-910.350
Carrying amount as at 30.06.17	6.024.953	4.406.233	775.817

7. Equity investments in group enterprises

Figures in DKK	Equity investments in group enterprises
Parent:	
Cost pr. 01.07.16	9.817.142
Cost as at 30.06.17	9.817.142
Revaluations pr. 01.07.16	24.577.741
Revaluations during the year	16.705.345
Dividend relating to equity investments	-16.000.000
Revaluations as at 30.06.17	25.283.086
Carrying amount as at 30.06.17	35.100.228

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year	Recognised value
Group enterprises:				
Four Design Danmark A/S, Gislev	100%	3.659.283	1.155.611	3.659.283
Four Design Export ApS, Gislev	100%	2.272.892	1.091.292	2.272.892
Four Design A/S, Gislev	100%	29.168.053	14.458.442	29.168.053

8.

Figures in DKK	Deposits
Group:	
Cost pr. 01.07.16	177.866
Cost as at 30.06.17	177.866

	Group		Parent	
	30.06.17 DKK	30.06.16 DKK	30.06.17 DKK	30.06.16 DKK
9. Prepayments				
Other prepayments	152.815	338.858	0	0

	Group		Parent	
	30.06.17 DKK	30.06.16 DKK	30.06.17 DKK	30.06.16 DKK
10. Deferred tax				
Additions relating to mergers and acquisition of enterprises pr. 01.07.16	669.409	674.582	0	0
Deferred tax recognised in the income statement	-18.338	-5.173	0	0
Additions relating to mergers and acquisition of enterprises as at 30.06.17	651.071	669.409	0	0

11. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with terms to maturity of 6 months and average lease payments of TDKK 63, a total of TDKK 380.

Recourse guarantee commitments

The enterprise has provided a guarantee for group enterprises' debt to credit institutions. The guarantee is unlimited.

Parent:

Recourse guarantee commitments

The company has provided a guarantee for group enterprises' debt to credit institutions. The guarantee is unlimited.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

12. Charges and security

Group:

The enterprise has issued mortgage deeds registered to the mortgagor in the total amount of TDKK 2.700 secured upon land and buildings with a carrying amount of TDKK 6.025. The mortgage deeds registered to the mortgagor comprise a total of TDKK 2.000 provided as security for debt to credit institutions, whereas mortgage deeds registered to the mortgagor in the total amount of TDKK 700 are in the possession of the enterprise.

The enterprise has provided a company charge of TDKK 10.000 as security for debt to credit institutions. As at 30.06.17, the company charge comprises the following assets: intellectual property rights, motorvehicles, other plant, fixtures and fittings, tools and equipment, inventories, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is TDKK 61.727.

Parent:

The company has not provided any other security over assets.

	Group	
	2016/17 DKK	2015/16 DKK
13. Adjustments for the cash flow statement		
Other operating income	-186.574	0
Depreciation, amortisation, impairment losses and write-downs	2.072.249	1.568.942
Financial income	-14.491	-72.210
Financial expenses	67.695	353.876
Tax on profit or loss for the year	4.716.518	2.392.497
Total	6.655.397	4.243.105

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

14. Accounting policies - continued -

INCOME STATEMENT

Gross result

Gross result comprises revenue, change in inventories of finished goods and work in progress, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

14. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Buildings	10-40	0
Plant and machinery	5-10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

14. Accounting policies - continued -

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups

14. Accounting policies - continued -

of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

14. Accounting policies - continued -

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

14. Accounting policies - continued -

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.