

Four Design Group Limited ApS

Faaborgvej 14, 5854 Gislev
CVR no. 25 36 37 87

Annual report for the financial year 01.07.19 - 30.06.20

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 20.11.20

Stephen Alan Thomas
Dirigent



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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

Executive Board

Stephen Alan Thomas

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board on the annual report

I have on this day presented the annual report for the financial year 01.07.19 - 30.06.20 for Four Design Group Limited ApS.

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

In my 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 30.06.20 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.07.19 - 30.06.20.

I 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, November 20, 2020

Executive Board

Stephen Alan Thomas

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 01.07.19 - 30.06.20, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant 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 (Årsregnskabsloven).

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 30.06.20 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.07.19 - 30.06.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

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 group and 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 group's and the parent 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 group and 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 group's and the parent 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 group's and the parent 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 group and 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 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.

Odense, November 20, 2020

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Henrik Welinder

State Authorized Public Accountant
MNE-no. mne23366

GROUPS FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000

	2019/20	2018/19	2017/18	2016/17	2015/16
<i>Profit/loss</i>					
Gross result	47.214	59.457	52.349	55.028	41.825
Operating profit/loss	6.398	17.961	16.506	21.389	11.011
Total net financials	-2.464	288	232	-53	-216
Profit for the year	2.971	14.101	12.832	16.619	8.402

Balance

Total assets	60.984	73.784	73.387	58.805	56.750
Investments in property, plant and equipment	6.157	3.095	2.279	680	2.675
Equity	23.866	46.895	45.793	32.961	32.342

Cashflow

Net cash flow:					
Operating activities	29.944	11.967	8.105	24.835	8.180
Investing activities	-6.228	-3.414	-2.081	-1.819	-610
Financing activities	-23.000	-13.000	0	-16.000	-3.000
Cash flows for the year	716	-4.447	6.024	7.016	4.570

Ratios*Profitability*

	2019/20	2018/19	2017/18	2016/17	2015/16
Return on equity	8%	30%	33%	51%	28%

Equity ratio

Equity interest	39%	64%	62%	56%	57%
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Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

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

Development in activities and financial affairs

The income statement for the period 01.07.19 - 30.06.20 shows a profit/loss of DKK 2,971,403 against DKK 14,101,394 for the period 01.07.18 - 30.06.19. The balance sheet shows equity of DKK 23,866,009.

The management considers the net profit for the year to be satisfactory.

Outlook

The company expects revenue in the domestic and exportmarkets will be on a par with last year. 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		Parent	
	2019/20 DKK	2018/19 DKK	2019/20 DKK	2018/19 DKK
	47.214.160	59.457.436	-80.664	-42.424
1 Staff costs	-38.273.180	-39.323.323	0	0
	8.940.980	20.134.113	-80.664	-42.424
Depreciation and impairments losses of property, plant and equipment	-2.542.929	-2.172.999	0	0
	6.398.051	17.961.114	-80.664	-42.424
2 Income from equity investments in group enterprises	0	0	3.050.092	14.134.508
3 Financial income	0	658.759	0	0
4 Financial expenses	-2.463.757	-370.761	-15.751	0
	3.934.294	18.249.112	2.953.677	14.092.084
5 Tax on profit or loss for the year	-959.891	-4.147.718	17.726	9.310
Other taxes	-3.000	0	0	0
	-962.891	-4.147.718	17.726	9.310
	2.971.403	14.101.394	2.971.403	14.101.394

Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	1.450.092	-831.492
Extraordinary dividend for the financial year	12.000.000	0	12.000.000	0
Proposed dividend for the financial year	0	14.000.000	0	14.000.000
Retained earnings	-9.028.597	101.394	-10.478.689	932.886
Total	2.971.403	14.101.394	2.971.403	14.101.394

ASSETS		Group		Parent	
		30.06.20 DKK	30.06.19 DKK	30.06.20 DKK	30.06.19 DKK
Note					
	Land and buildings	6.405.969	6.305.572	0	0
	Leasehold improvements	504.244	583.863	0	0
	Plant and machinery	2.703.471	3.709.178	0	0
	Other fixtures and fittings, tools and equipment	5.922.120	1.323.124	0	0
7	Total property, plant and equipment	15.535.804	11.921.737	0	0
8	Equity investments in group enterprises	0	0	23.764.437	48.291.248
9	Deposits	405.804	334.941	0	0
	Total investments	405.804	334.941	23.764.437	48.291.248
	Total non-current assets	15.941.608	12.256.678	23.764.437	48.291.248
	Raw materials and consumables	9.889.575	10.567.524	0	0
	Manufactured goods and goods for resale	1.120.468	1.004.395	0	0
	Total inventories	11.010.043	11.571.919	0	0
	Trade receivables	20.657.645	24.797.983	0	0
	Receivables from group enterprises	1.782.178	17.658.131	979.462	2.203.988
	Other receivables	2.521.883	3.014.818	0	0
10	Prepayments	370.683	796.002	0	0
	Total receivables	25.332.389	46.266.934	979.462	2.203.988
	Cash	8.700.260	3.688.877	0	0
	Total current assets	45.042.692	61.527.730	979.462	2.203.988
	Total assets	60.984.300	73.784.408	24.743.899	50.495.236

		Group		Parent	
		30.06.20 DKK	30.06.19 DKK	30.06.20 DKK	30.06.19 DKK
EQUITY AND LIABILITIES					
Note					
	Share capital	200.000	200.000	200.000	200.000
	Reserve for net revaluation according to the equity method	0	0	13.738.283	24.288.191
	Retained earnings	23.666.009	32.694.606	9.927.726	8.406.415
	Proposed dividend for the financial year	0	14.000.000	0	14.000.000
	Total equity	23.866.009	46.894.606	23.866.009	46.894.606
11	Provisions for deferred tax	636.434	537.739	0	0
	Total provisions	636.434	537.739	0	0
12	Lease commitments	3.000.000	0	0	0
12	Income taxes	461.196	3.550.630	561.736	3.550.630
12	Other payables	2.743.361	0	0	0
	Total long-term payables	6.204.557	3.550.630	561.736	3.550.630
	Payables to other credit institutions	4.295.462	0	0	0
	Trade payables	11.880.160	12.983.720	50.000	50.000
	Payables to group enterprises	1.989.986	0	266.154	0
	Other payables	9.591.170	9.817.713	0	0
	Deferred income	2.520.522	0	0	0
	Total short-term payables	30.277.300	22.801.433	316.154	50.000
	Total payables	36.481.857	26.352.063	877.890	3.600.630
	Total equity and liabilities	60.984.300	73.784.408	24.743.899	50.495.236
13	Contingent liabilities				
14	Charges and security				
15	Related parties				

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
Group:				
Statement of changes in equity for 01.07.19 - 30.06.20				
Balance as at 01.07.19	200.000	0	32.694.606	14.000.000
Extraordinary dividend paid	0	0	-12.000.000	0
Dividend paid	0	0	0	-14.000.000
Net profit/loss for the year	0	0	2.971.403	0
Balance as at 30.06.20	200.000	0	23.666.009	0

Parent:

Statement of changes in equity for
01.07.19 - 30.06.20

Balance as at 01.07.19	200.000	24.288.191	8.406.415	14.000.000
Distributed dividend from group enterprises	0	-12.000.000	12.000.000	0
Extraordinary dividend paid	0	0	-12.000.000	0
Dividend paid	0	0	0	-14.000.000
Net profit/loss for the year	0	1.450.092	1.521.311	0
Balance as at 30.06.20	200.000	13.738.283	9.927.726	0

Consolidated cash flow statement

Note	Group	
	2019/20 DKK	2018/19 DKK
	2.971.403	14.101.394
Profit for the year		
16 Adjustments	5.825.572	6.032.719
Change in working capital:		
Inventories	104.876	725.261
Receivables	19.153.014	-4.328.185
Trade payables	-1.107.351	1.380.946
Other payables relating to operating activities	9.425.449	-1.971.993
Cash flows from operating activities before net financials	36.372.963	15.940.142
Interest income and similar income received	0	658.759
Interest expenses and similar expenses paid	-2.463.757	-370.761
Income tax paid	-3.965.423	-4.260.733
Cash flows from operating activities	29.943.783	11.967.407
Purchase of property, plant and equipment	-6.156.998	-3.660.996
Sale of property, plant and equipment	0	350.000
Purchase of investments	-70.864	-103.043
Cash flows from investing activities	-6.227.862	-3.414.039
Dividend paid	-26.000.000	-13.000.000
Arrangement of payables to credit institutions	3.000.000	0
Cash flows from financing activities	-23.000.000	-13.000.000
Total cash flows for the year	715.921	-4.446.632
Cash, beginning of year	3.688.877	8.135.509
Cash, end of year	4.404.798	3.688.877
Cash, end of year, comprises:		
Cash	8.700.260	3.688.877
Short-term payables to credit institutions	-4.295.462	0
Total	4.404.798	3.688.877

	Group		Parent	
	2019/20 DKK	2018/19 DKK	2019/20 DKK	2018/19 DKK

1. Staff costs

Wages and salaries	34.173.440	34.430.848	0	0
Pensions	2.436.939	2.542.404	0	0
Other social security costs	723.523	1.418.161	0	0
Other staff costs	939.278	931.910	0	0
Total	38.273.180	39.323.323	0	0

Average number of employees during the year	62	62	0	0
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2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	3.050.092	14.134.508
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3. Financial income

Interest, group enterprises	0	650.424	0	0
Other interest income	0	8.335	0	0
Total	0	658.759	0	0

4. Financial expenses

Other interest expenses	419.699	41.189	15.751	0
Foreign currency translation adjustments	2.044.058	329.572	0	0
Total	2.463.757	370.761	15.751	0

	Group		Parent	
	2019/20 DKK	2018/19 DKK	2019/20 DKK	2018/19 DKK

5. Tax on profit or loss for the year

Current tax for the year	861.196	4.209.630	-17.726	-9.310
Adjustment of deferred tax for the year	98.695	-61.912	0	0
Total	959.891	4.147.718	-17.726	-9.310

6. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	1.450.092	-831.492
Extraordinary dividend for the financial year	12.000.000	0	12.000.000	0
Proposed dividend for the financial year	0	14.000.000	0	14.000.000
Retained earnings	-9.028.597	101.394	-10.478.689	932.886
Total	2.971.403	14.101.394	2.971.403	14.101.394

7. Property, plant and equipment

Figures in DKK	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Group:				
Cost as at 01.07.19	14.274.866	716.558	9.580.330	2.477.694
Additions during the year	752.335	0	72.235	5.332.428
Cost as at 30.06.20	15.027.201	716.558	9.652.565	7.810.122
Depreciation and impairment losses as at 01.07.19	-7.969.294	-132.696	-5.871.152	-1.154.570
Depreciation during the year	-651.938	-79.618	-1.077.942	-733.432
Depreciation and impairment losses as at 30.06.20	-8.621.232	-212.314	-6.949.094	-1.888.002
Carrying amount as at 30.06.20	6.405.969	504.244	2.703.471	5.922.120
Carrying amount of assets held under finance leases as at 30.06.20	0	0	0	3.000.000

8. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises			
Group:				
Additions during the year				-252.337
Cost as at 30.06.20				-252.337
Revaluations during the year				252.337
Revaluations as at 30.06.20				252.337
Carrying amount as at 30.06.20				0
Parent:				
Cost as at 01.07.19				10.003.057
Additions during the year				-229.240
Cost as at 30.06.20				9.773.817
Revaluations as at 01.07.19				38.288.191
Revaluations during the year				3.302.429
Dividend relating to equity investments				-27.600.000
Revaluations as at 30.06.20				13.990.620
Carrying amount as at 30.06.20				23.764.437
Name and registered office:	Ownership interest	Equity DKK	Net profit/loss for the year DKK	Recognised value DKK
Subsidiaries:				
Four Design A/S, Gisleiv	100%	25.528.466	3.466.194	25.528.466
Four Design GmbH, Berlin	100%	-1.787.125	-416.102	-1.787.125
Four Design Norge AS, Oslo	100%	23.097	0	23.097

9. Other non-current financial assets

Figures in DKK Deposits

Group:

Cost as at 01.07.19	334.940
Additions during the year	70.864
Cost as at 30.06.20	405.804

	Group		Parent	
	30.06.20 DKK	30.06.19 DKK	30.06.20 DKK	30.06.19 DKK

10. Prepayments

Prepaid rent	0	56.443	0	0
Other prepayments	370.683	739.559	0	0
Total	370.683	796.002	0	0

11. Deferred tax

Deferred tax as at 01.07.19	636.434	609.274	0	0
Deferred tax recognised in the income statement	0	-71.535	0	0
Deferred tax as at 30.06.20	636.434	537.739	0	0

12. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 30.06.20	Total payables at 30.06.19
Group:			
Lease commitments	0	3.000.000	0
Income taxes	0	461.196	3.550.630
Other payables	0	2.743.361	0
Total	0	6.204.557	3.550.630
Parent:			
Income taxes	0	561.736	3.550.630
Total	0	561.736	3.550.630

13. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 6-80 months with total lease payments of 5,800 kDKK.

The group has concluded lease agreements with group enterprises with terms to maturity of xx months and average lease payments of DKK xxk, a total of DKK xxk.

Recourse guarantee commitments

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

Parent:

Lease commitments

The company has not concluded any lease agreements.

Recourse guarantee commitments

The company has provided a guarantee for the 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 total known tax liability is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

14. Charges and security

Group:

The group 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 2.700. 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 group.

The group has provided a company charge of TDKK 10.000 as security for debt to credit institutions. As at 30.06.20, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights
- Other plant, fixtures and fittings, tools and equipment
- Inventories

Parent:

The company has not provided any security over assets.

15. Related parties

Controlling influence	Basis of influence
OCEE International Limited, England	Ultimate owner

16. Adjustments for the cash flow statement

Other operating income	-144.005	156.240
Depreciation and impairments losses of property, plant and equipment	2.542.929	2.172.999
Financial income	0	-658.759
Financial expenses	2.463.757	370.761
Tax on profit or loss for the year	959.891	4.147.718
Other taxes	3.000	0
Other adjustments	0	-156.240
Total	5.825.572	6.032.719

17. 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.

17. Accounting policies - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

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

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.

17. Accounting policies - continued -**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.

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:

17. Accounting policies - continued -

	Useful lives, years	Residual value, per cent
Buildings	10-40	0
Leasehold improvements	5-10	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.

Income from equity investments in group enterprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies 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

17. Accounting policies - continued -

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.

Other taxes

Other taxes comprises tax amounts that are calculated on a basis other than the income for the year.

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise land and buildings, leasehold improvements, 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 enterprises

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.

17. Accounting policies - continued -**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 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.

17. Accounting policies - continued -**Prepayments**

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

Cash

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

Equity

The proposed dividend for the financial year is recognised as a separate item in 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 within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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.

17. Accounting policies - continued -**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

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

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

17. 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.