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# ***COSMOS TRAWL A/S***

Notkajen 2, DK-9850 Hirtshals

## **Annual Report for 2022**

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CVR No. 25 78 39 80

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 26/4 2023

Hjörtur Valdemar  
Erlendsson  
Chairman of the  
general meeting



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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of COSMOS TRAWL A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Hirtshals, 26 April 2023

## Executive Board

Michael Kenn Kjærulff Lassen  
CEO

## Board of Directors

Hjörtur Valdemar Erlendsson  
Chairman

Emil Vidar Eythorsson

Michael Kenn Kjærulff Lassen

# Independent Auditor's report

To the shareholder of COSMOS TRAWL A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of COSMOS TRAWL A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

# Independent Auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 26 April 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Line Borregaard

State Authorised Public Accountant

mne34353

## Company information

<b>The Company</b>	<p>COSMOS TRAWL A/S Notkajen 2 DK-9850 Hirtshals</p> <p>Telephone: + 45 98941977 Email: info@cosmostrawl.dk Website: www.cosmostrawl.dk</p> <p>CVR No: 25 78 39 80 Financial period: 1 January - 31 December Municipality of reg. office: Hjørring</p>
<b>Board of Directors</b>	<p>Hjörtur Valdemar Erlendsson, chairman Emil Vidar Eythorsson Michael Kenn Kjærulff Lassen</p>
<b>Executive board</b>	<p>Michael Kenn Kjærulff Lassen</p>
<b>Auditors</b>	<p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg</p>
<b>Bankers</b>	<p>Jyske Bank Nørregade 13 9850 Hirtshals</p>

## Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
<b>Gross profit</b>	2	<b>34,662,030</b>	<b>36,438,859</b>
Staff expenses	3	-24,167,776	-25,458,995
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	4	-3,092,646	-2,561,383
<b>Profit/loss before financial income and expenses</b>		<b>7,401,608</b>	<b>8,418,481</b>
Financial income	5	2,625,565	2,455,644
Financial expenses	6	-740,177	-536,727
<b>Profit/loss before tax</b>		<b>9,286,996</b>	<b>10,337,398</b>
Tax on profit/loss for the year	7	-1,559,729	-1,721,294
<b>Net profit/loss for the year</b>		<b>7,727,267</b>	<b>8,616,104</b>

## Distribution of profit

	2022 DKK	2021 DKK
<b>Proposed distribution of profit</b>		
Proposed dividend for the year	3,100,000	4,500,000
Retained earnings	4,627,267	4,116,104
	<b>7,727,267</b>	<b>8,616,104</b>

## Balance sheet 31 December

### Assets

	Note	2022	2021
		DKK	DKK
Goodwill		0	19,791
<b>Intangible assets</b>	8	<b>0</b>	<b>19,791</b>
Land and buildings		46,461,809	27,369,436
Plant and machinery		851,689	1,102,413
Other fixtures and fittings, tools and equipment		1,935,434	2,148,265
Property, plant and equipment in progress		671,818	98,785
<b>Property, plant and equipment</b>	9	<b>49,920,750</b>	<b>30,718,899</b>
Investments in subsidiaries	10	26,020,361	21,036,308
<b>Fixed asset investments</b>		<b>26,020,361</b>	<b>21,036,308</b>
<b>Fixed assets</b>		<b>75,941,111</b>	<b>51,774,998</b>
<b>Inventories</b>	11	<b>27,446,379</b>	<b>20,691,824</b>
Trade receivables		8,299,342	5,136,593
Receivables from group enterprises		14,645	74,435
Other receivables		570,367	880,642
Corporation tax		160,205	58,066
Corporation tax receivable from group enterprises		205,134	120,626
Prepayments		575,120	231,989
<b>Receivables</b>		<b>9,824,813</b>	<b>6,502,351</b>
<b>Cash at bank and in hand</b>		<b>1,835,078</b>	<b>10,443,392</b>
<b>Current assets</b>		<b>39,106,270</b>	<b>37,637,567</b>
<b>Assets</b>		<b>115,047,381</b>	<b>89,412,565</b>



# Balance sheet 31 December

## Liabilities and equity

	Note	2022	2021
		DKK	DKK
Share capital		16,500,000	16,500,000
Reserve for hedging transactions		0	-68,933
Retained earnings		38,026,301	33,399,034
Proposed dividend for the year		3,100,000	4,500,000
<b>Equity</b>		<b>57,626,301</b>	<b>54,330,101</b>
Provision for deferred tax		3,176,230	3,157,018
<b>Provisions</b>		<b>3,176,230</b>	<b>3,157,018</b>
Mortgage loans		7,040,337	7,634,666
Lease obligations		25,402,428	5,739,736
Payables to group enterprises		0	600,000
Other payables		2,098,923	2,054,647
<b>Long-term debt</b>	12	<b>34,541,688</b>	<b>16,029,049</b>
Mortgage loans	12	599,477	613,012
Credit institutions		5,089,844	0
Lease obligations	12	1,281,121	649,198
Prepayments received from customers		70,875	560,605
Trade payables		3,129,501	2,864,630
Payables to group enterprises		5,570,169	4,727,197
Payables to group enterprises relating to corporation tax		167,446	34,962
Other payables	12, 13	3,794,729	6,094,737
Deferred income		0	352,056
<b>Short-term debt</b>		<b>19,703,162</b>	<b>15,896,397</b>
<b>Debt</b>		<b>54,244,850</b>	<b>31,925,446</b>
<b>Liabilities and equity</b>		<b>115,047,381</b>	<b>89,412,565</b>
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## Statement of changes in equity

	Share capital	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	16,500,000	-68,933	33,399,034	4,500,000	54,330,101
Ordinary dividend paid	0	0	0	-4,500,000	-4,500,000
Fair value adjustment of hedging instruments, beginning of year	0	68,933	0	0	68,933
Net profit/loss for the year	0	0	4,627,267	3,100,000	7,727,267
<b>Equity at 31 December</b>	<b>16,500,000</b>	<b>0</b>	<b>38,026,301</b>	<b>3,100,000</b>	<b>57,626,301</b>

# Notes to the Financial Statements

## 1. Key activities

Cosmos Trawl A/S is engaged in the production and repair of fishing gear and the sale of stores. The company operates from own workshop building located in Hirtshals, Skagen and Hanstholm as well as from rented premises in Strandby. The company's market is primarily the Scandinavian and North Atlantic markets, but fishing gear is also exported to the other markets where larger fishing gear is used

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Compensation	2,600,000	0
	<u>2,600,000</u>	<u>0</u>

## 3. Staff Expenses

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Wages and salaries	21,214,248	22,632,346
Pensions	1,808,068	1,992,242
Other social security expenses	326,156	328,255
Other staff expenses	819,304	506,152
	<u>24,167,776</u>	<u>25,458,995</u>
Average number of employees	<u>41</u>	<u>44</u>

## 4. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Amortisation of intangible assets	19,791	25,000
Depreciation of property, plant and equipment	3,072,855	2,536,383
	<u>3,092,646</u>	<u>2,561,383</u>

## Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
<b>5. Financial income</b>		
Other financial income	2,165,818	2,335,647
Exchange adjustments	459,747	119,997
	<u>2,625,565</u>	<u>2,455,644</u>

	<u>2022</u>	<u>2021</u>
	DKK	DKK
<b>6. Financial expenses</b>		
Interest paid to group enterprises	0	5,420
Other financial expenses	740,177	531,307
	<u>740,177</u>	<u>536,727</u>

	<u>2022</u>	<u>2021</u>
	DKK	DKK
<b>7. Income tax expense</b>		
Current tax for the year	1,569,172	1,854,270
Deferred tax for the year	19,212	-121,358
Adjustment of tax concerning previous years	-28,655	0
Adjustment of deferred tax concerning previous years	0	-11,618
	<u>1,559,729</u>	<u>1,721,294</u>

	<u>Goodwill</u>
	DKK
<b>8. Intangible fixed assets</b>	
Cost at 1 January	250,000
Cost at 31 December	<u>250,000</u>
Impairment losses and amortisation at 1 January	230,209
Amortisation for the year	19,791
Impairment losses and amortisation at 31 December	<u>250,000</u>
Carrying amount at 31 December	<u>0</u>

# Notes to the Financial Statements

## 9. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	DKK	DKK	DKK	DKK
Cost at 1 January	46,946,496	3,472,161	6,141,806	98,785
Additions for the year	21,195,555	54,394	651,715	573,033
Disposals for the year	-81,036	0	-1,555,767	0
Cost at 31 December	<u>68,061,015</u>	<u>3,526,555</u>	<u>5,237,754</u>	<u>671,818</u>
Impairment losses and depreciation at 1 January	19,577,061	2,369,749	3,993,541	0
Depreciation for the year	2,103,181	305,117	664,546	0
Reversal of impairment and depreciation of sold assets	-81,036	0	-1,355,767	0
Impairment losses and depreciation at 31 December	<u>21,599,206</u>	<u>2,674,866</u>	<u>3,302,320</u>	<u>0</u>
Carrying amount at 31 December	<u>46,461,809</u>	<u>851,689</u>	<u>1,935,434</u>	<u>671,818</u>
Including assets under finance leases amounting to	<u>24,840,309</u>	<u>0</u>	<u>1,637,933</u>	<u>0</u>

## 10. Investments in subsidiaries

	2022	2021
	DKK	DKK
Cost at 1 January	21,036,308	21,036,308
Additions for the year	4,984,053	0
Cost at 31 December	<u>26,020,361</u>	<u>21,036,308</u>
Carrying amount at 31 December	<u>26,020,361</u>	<u>21,036,308</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership	Equity	Net profit/loss for the year
Nordsøtrawl A/S	Thyborøn	6,000,000	100%	24,858,094	-22,392
Strandby Net A/S	Strandby	1,000,000	80%	14,187,875	2,602,958

# Notes to the Financial Statements

	2022	2021
	DKK	DKK
<b>11. Inventories</b>		
Raw materials and consumables	20,262,374	16,430,750
Work in progress	2,395,938	2,586,889
Finished goods and goods for resale	4,788,067	1,674,185
	<u>27,446,379</u>	<u>20,691,824</u>

## 12. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
	DKK	DKK
<b>Mortgage loans</b>		
After 5 years	4,542,422	5,155,407
Between 1 and 5 years	2,497,915	2,479,259
Long-term part	7,040,337	7,634,666
Within 1 year	599,477	613,012
	<u>7,639,814</u>	<u>8,247,678</u>

### Lease obligations

After 5 years	20,706,131	3,268,200
Between 1 and 5 years	4,696,297	2,471,536
Long-term part	25,402,428	5,739,736
Within 1 year	1,281,121	649,198
	<u>26,683,549</u>	<u>6,388,934</u>

### Payables to group enterprises

After 5 years	0	0
Between 1 and 5 years	0	600,000
Long-term part	0	600,000
Within 1 year	600,000	600,000
Other short-term debt to group enterprises	4,970,169	4,127,197
Short-term part	5,570,169	4,727,197
	<u>5,570,169</u>	<u>5,327,197</u>

# Notes to the Financial Statements

## Other payables

After 5 years	0	0
Between 1 and 5 years	2,098,923	2,054,647
Long-term part	2,098,923	2,054,647
Within 1 year	0	0
Other short-term payables	3,794,729	6,094,737
	<u>5,893,652</u>	<u>8,149,384</u>

DKK 276k was expensed for the year for unrecognized leasing agreements characterized by short agreements, small assets, etc

## 13. Derivative financial instruments

Derivative financial instruments contracts in the form of have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2022</u>	<u>2021</u>
	DKK	DKK
Liabilities	0	88,376

Interest rate swap agreements have previous been entered into to hedge future interest payments on variable-rate loans. There are no agreements end of 2022.

<u>2022</u>	<u>2021</u>
DKK	DKK

## 14. Contingent assets, liabilities and other financial obligations

### Charges and security

The following assets have been placed as security with mortgage credit institutes:

The following assets have been placed as security with bankers:

Mortgage deeds registered to the mortgagor totalling kDKK 23,600, providing security on land and buildings at a total carrying amount of:	21,621,500	22,857,504
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The following assets have been placed as security with engagement with bankinstitutes:

Shares of a nominal amount of kDKK 4,800 in group enterprises are provided as security for the company's commitments to bank	4,800,000	4,800,000
Land and buildings with a carrying amount of	21,621,500	22,857,504

# Notes to the Financial Statements

## Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	123,833	123,833
	<u>123,833</u>	<u>123,833</u>

## Other contingent liabilities

The company has entered a license agreement with the sister company Otter Ultra Low Drag Ltd. The company is under an obligation to pay an annual license fee which is calculated on the basis of self-spreading trawl. The annual license fee is Euro 36,000.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability

A surety bond has been provided for balances between Strandby Net and their lender, DLR Kredit. The surety bond is limited to DKK 2.3 million.

Jyske Bank has provided a guarantee for Import Letter per the balance sheet date with a nominal value of USD 114,735, corresponding to DKK 799,996 per balance sheet date.

## 15. Related parties and disclosure of consolidated financial statements

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Hampidjan hf.	Skarfagardar 4, 104 Reykjavik, Iceland



# Notes to the Financial Statements

## 16. Accounting policies

The Annual Report of COSMOS TRAWL A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 of Hampidjan hf., the Company has not prepared consolidated financial statements.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases are recognised in the balance sheet at the calculated amount of the lease liability. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or the Company's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for the Company's other fixed assets

The Company has chosen to apply the exemptions concerning short-term and low-value leases. Therefore, such lease assets are not recognised as assets and liabilities in the balance sheet. The costs are recognised in the income statement on a straight-line basis over the lease term

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on a current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

## Hedge accounting

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

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

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

## Income statement

### Net sales

Revenue from contracts with customers is recognised on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the product.

Control is considered passed to the customer when:

- a binding sales agreement has been made;
- delivery has been made before year end;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

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

### Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

# Notes to the Financial Statements

## Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

## Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

## Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

## Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

## Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance sheet

### Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 year. Amortisation of goodwill over 10 years reflects in management's opinion the useful life of goodwill and is determined with due regard to the expected future net income from the activities that goodwill is related to.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

# Notes to the Financial Statements

Production buildings	10-40 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

## Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

## Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

## Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

## Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## Equity

### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

## Deferred tax assets and liabilities

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

## Notes to the Financial Statements

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

### Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

### Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.