

**COSMOS TRAWL A/S**  
**NOTKAJEN 2, 9850 HIRTSHALS**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2023**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 31 May 2024**

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**Hjörtur Valdemar Erlendsson**

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**COMPANY DETAILS**

<b>Company</b>	Cosmos Trawl A/S Notkajen 2 9850 Hirtshals
	Telephone: +45 98 94 19 77 Website: <a href="http://www.cosmostrawl.dk">www.cosmostrawl.dk</a> E-mail: <a href="mailto:info@cosmostrawl.dk">info@cosmostrawl.dk</a>
	CVR No.: 25 78 39 80 Established: 7 December 2000 Municipality: Hjørring Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Hjörtur Valdemar Erlendsson, chairman Michael Kenn Kjærulff Lassen Emil Vidar Eythorsson
<b>Executive Board</b>	Michael Kenn Kjærulff Lassen
<b>Auditor</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg
<b>Bank</b>	Jyske Bank A/S Nørregade 13 9850 Hirtshals

## MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Cosmos Trawl A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Hirtshals, 31 May 2024

Executive Board

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Michael Kenn Kjærulff Lassen

Board of Directors

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Hjörtur Valdemar Erlendsson  
Chairman

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Michael Kenn Kjærulff Lassen

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Emil Vidar Eythorsson

## 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 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## INDEPENDENT AUDITOR'S REPORT

- 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.

### **Statement on Management Commentary**

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Aalborg, 31 May 2024

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionspartnerselskab**  
CVR no. 33 77 12 31

Line Borregaard  
State Authorised Public Accountant  
mne34353

## MANAGEMENT COMMENTARY

### **Principal activities**

The principal activities are production and repair of fishing gear and the sales 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 operates primarily in the Scandinavian and North Atlantic markets, but fishing gear is also exported to other markets where larger fishing gear is used.

### **Development in activities and financial and economic position**

The profit for the year is 9.008.228 DKK and the equity is 69.742.808 DKK.

The profit for the year is considered satisfactory.

### **Significant events after the end of the financial year**

No events have occurred after the end of the financial year of material importance for the Company's financial position.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
<b>GROSS PROFIT</b> .....	1	<b>53.685.968</b>	<b>35.377.953</b>
Staff costs.....	2	-38.045.349	-24.883.699
Depreciation, amortisation and impairment losses for tangible and intangible assets.....		-4.301.823	-3.092.646
<b>OPERATING PROFIT</b> .....		<b>11.338.796</b>	<b>7.401.608</b>
Income from investments in subsidiaries.....		960.000	2.160.000
Other financial income.....	3	22.808	465.565
Other financial expenses.....	4	-1.058.358	-740.177
<b>PROFIT BEFORE TAX</b> .....		<b>11.263.246</b>	<b>9.286.996</b>
Tax on profit/loss for the year.....	5	-2.255.018	-1.559.729
<b>PROFIT FOR THE YEAR</b> .....		<b>9.008.228</b>	<b>7.727.267</b>
<b>PROPOSED DISTRIBUTION OF PROFIT</b>			
Proposed dividend for the year.....		4.250.000	3.100.000
Retained earnings.....		4.758.228	4.627.267
<b>TOTAL</b> .....		<b>9.008.228</b>	<b>7.727.267</b>



## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Goodwill.....		0	0
<b>Intangible assets.....</b>	<b>6</b>	<b>0</b>	<b>0</b>
Land and buildings.....		55.395.637	46.461.809
Production plant and machinery.....		1.356.430	851.689
Other plant, fixtures and equipment.....		1.976.489	1.935.434
Tangible fixed assets in progress and prepayments for tangible fixed assets.....		12.104.852	671.818
<b>Property, plant and equipment.....</b>	<b>7</b>	<b>70.833.408</b>	<b>49.920.750</b>
Investments in subsidiaries.....		7.436.308	26.020.361
<b>Financial non-current assets.....</b>	<b>8</b>	<b>7.436.308</b>	<b>26.020.361</b>
<b>NON-CURRENT ASSETS.....</b>		<b>78.269.716</b>	<b>75.941.111</b>
Expenses for raw materials and consumables.....		20.979.050	20.262.374
Work in progress.....		4.673.609	2.395.938
Finished goods and goods for resale.....		11.067.295	4.788.067
<b>Inventories.....</b>		<b>36.719.954</b>	<b>27.446.379</b>
Trade receivables.....		23.706.366	8.299.342
Receivables from group enterprises.....		91.164	14.645
Other receivables.....		1.266.105	570.367
Corporation tax receivable.....		0	160.205
Joint tax contribution receivable.....		482.173	205.134
Prepayments.....	9	514.359	575.120
<b>Receivables.....</b>		<b>26.060.167</b>	<b>9.824.813</b>
<b>Cash and cash equivalents.....</b>		<b>2.282.811</b>	<b>1.835.078</b>
<b>CURRENT ASSETS.....</b>		<b>65.062.932</b>	<b>39.106.270</b>
<b>ASSETS.....</b>		<b>143.332.648</b>	<b>115.047.381</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital.....	10	16.500.000	16.500.000
Retained earnings.....		48.992.808	38.026.301
Proposed dividend.....		4.250.000	3.100.000
<b>EQUITY.....</b>		<b>69.742.808</b>	<b>57.626.301</b>
Provision for deferred tax.....		3.611.000	3.176.230
<b>PROVISIONS.....</b>		<b>3.611.000</b>	<b>3.176.230</b>
Debt to mortgage credit institution.....		6.432.825	7.040.337
Lease liabilities.....		25.597.855	25.402.428
Other liabilities.....		2.134.644	2.098.923
<b>Non-current liabilities.....</b>	<b>11</b>	<b>34.165.324</b>	<b>34.541.688</b>
Debt to mortgage credit institution.....		615.502	599.477
Bank debt.....		5.463.339	5.089.844
Lease liabilities.....		1.502.625	1.281.121
Prepayments from customers.....		2.081.278	70.875
Trade payables.....		8.109.594	3.129.497
Debt to Group companies.....		8.695.017	5.570.169
Corporation tax payable.....		873.263	0
Joint tax contribution payable.....		620.756	167.446
Other liabilities.....		7.852.142	3.794.733
<b>Current liabilities.....</b>		<b>35.813.516</b>	<b>19.703.162</b>
<b>LIABILITIES.....</b>		<b>69.978.840</b>	<b>54.244.850</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>143.332.648</b>	<b>115.047.381</b>
 Contingencies etc.	 12		
Charges and securities	13		

## EQUITY

	Share Capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2023.....	16.500.000	38.026.301	3.100.000	57.626.301
Proposed profit allocation.....		4.758.228	4.250.000	9.008.228
<b>Transactions with owners</b>				
Dividend paid.....			-3.100.000	-3.100.000
Additions/disposals relating to equity by mergers and acquisitions.....		6.208.279		6.208.279
<b>Equity at 31 December 2023.....</b>	<b>16.500.000</b>	<b>48.992.808</b>	<b>4.250.000</b>	<b>69.742.808</b>

## NOTES

	2023 DKK	2022 DKK	Note
<b>Special items</b>			<b>1</b>
Compensation.....	0	2.600.000	
	<b>0</b>	<b>2.600.000</b>	
<b>Staff costs</b>			<b>2</b>
	57	41	
Wages and salaries.....	33.397.174	21.924.676	
Pensions.....	3.005.716	1.808.068	
Social security costs.....	499.335	326.156	
Other staff costs.....	1.143.124	824.799	
	<b>38.045.349</b>	<b>24.883.699</b>	
<b>Other financial income</b>			<b>3</b>
Other interest income.....	22.808	465.565	
	<b>22.808</b>	<b>465.565</b>	
<b>Other financial expenses</b>			<b>4</b>
Other interest expenses.....	1.058.358	740.177	
	<b>1.058.358</b>	<b>740.177</b>	
<b>Tax on profit/loss for the year</b>			<b>5</b>
Calculated tax on taxable income of the year.....	2.269.233	1.569.172	
Adjustment of tax in previous years.....	0	-28.655	
Adjustment of deferred tax.....	-14.215	19.212	
	<b>2.255.018</b>	<b>1.559.729</b>	
<b>Intangible assets</b>			<b>6</b>
		Goodwill	
Cost at 1 January 2023.....		250.000	
Addition from mergers and acquisition of Company.....		9.000.000	
Disposals.....		-9.000.000	
<b>Cost at 31 December 2023.....</b>		<b>250.000</b>	
Amortisation at 1 January 2023.....		250.000	
Reversal of amortisation of assets disposed of .....		-9.000.000	
Amortisation for the year.....		24.750	
Amortisation and impairment from mergers and acquisitions.....		8.975.250	
<b>Amortisation at 31 December 2023.....</b>		<b>250.000</b>	
<b>Carrying amount at 31 December 2023.....</b>		<b>0</b>	

## NOTES

Note

## Property, plant and equipment

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	Land and buildings	Production plant and machinery
Cost at 1 January 2023.....	68.061.013	3.526.554
Transferred.....	129.800	0
Additions.....	490.152	274.278
Addition from mergers and acquisition of Company.....	13.454.507	2.387.652
Disposals.....	-391.200	0
<b>Cost at 31 December 2023.....</b>	<b>81.744.272</b>	<b>6.188.484</b>
Depreciation and impairment losses at 1 January 2023.....	21.599.205	2.674.866
Reversal of depreciation of assets disposed of.....	-391.200	0
Depreciation for the year.....	2.669.365	462.570
Depreciation and impairment from mergers and acquisitions...	2.471.265	1.694.618
<b>Depreciation and impairment losses at 31 December 2023...</b>	<b>26.348.635</b>	<b>4.832.054</b>
<b>Carrying amount at 31 December 2023.....</b>	<b>55.395.637</b>	<b>1.356.430</b>
Finance lease assets.....	25.110.619	
		Tangible fixed assets in progress and prepayments for tangible fixed assets
	Other plant, fixtures and equipment	
Cost at 1 January 2023.....	5.237.754	671.818
Transferred.....	0	-129.800
Additions.....	451.615	11.562.834
Addition from mergers and acquisition of Company.....	2.991.540	0
Disposals.....	-194.000	0
<b>Cost at 31 December 2023.....</b>	<b>8.486.909</b>	<b>12.104.852</b>
Depreciation and impairment losses at 1 January 2023.....	3.302.318	
Reversal of depreciation of assets disposed of.....	-149.533	
Depreciation for the year.....	1.145.138	
Depreciation and impairment from mergers and acquisitions...	2.212.497	
<b>Depreciation and impairment losses at 31 December 2023...</b>	<b>6.510.420</b>	
<b>Carrying amount at 31 December 2023.....</b>	<b>1.976.489</b>	<b>12.104.852</b>
Finance lease assets.....	1.464.395	

## NOTES

				Note
<b>Financial non-current assets</b>				<b>8</b>
			Investments in subsidiaries	
Cost at 1 January 2023.....			26.020.361	
Disposals.....			-18.584.053	
<b>Cost at 31 December 2023.....</b>			<b>7.436.308</b>	
<b>Carrying amount at 31 December 2023.....</b>			<b>7.436.308</b>	
		<b>2023</b>	<b>2022</b>	
		DKK	DKK	
<b>Prepayments</b>				<b>9</b>
Costs.....		514.359	575.120	
		<b>514.359</b>	<b>575.120</b>	
<b>Share Capital</b>				<b>10</b>
Allocation of share capital:				
Shares, 16.500 unit in the denomination of 1.000 DKK.....		16.500.000	16.500.000	
		<b>16.500.000</b>	<b>16.500.000</b>	
<b>Long-term liabilities</b>				<b>11</b>
			Debt	
	31/12 2023	Repayment	outstanding	31/12 2022
	total liabilities	next year	after 5 years	total liabilities
Debt to mortgage credit institution.....	7.048.327	615.502	3.994.167	7.639.814
Lease liabilities.....	27.100.480	1.502.625	20.694.304	26.683.549
Payables to group enterprises.....	0	0	0	600.000
Other liabilities.....	2.181.818	47.174	2.124.116	2.098.923
	<b>36.330.625</b>	<b>2.165.301</b>	<b>26.812.587</b>	<b>37.022.286</b>

## NOTES

## Note

**Contingencies etc.**

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**Contingent liabilities**

The Company has entered a license agreement with the affiliated 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.

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.

DKK ('000) 244 was expensed for the year for unrecognized leasing agreements characterized by short agreements, small assets, etc

The company's buildings are built on leased land. The company has an obligation to clear the site at the end of the lease, if the buildings have not previously been resold to a new tenant of the area.

Guarantee of work provided by the bank DKK ('000) 4.782.

**Joint liabilities**

The Danish companies of the Group is jointly and severally liable for tax on the Group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax.

Tax payable of the Group's jointly taxed income amounts to DKK ('000) 873 at the balance sheet date.

**Charges and securities**

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	Carrying amount of assets DKK	Nominal value of mortgage or outstanding debt DKK
The following assets have been provided as security for debt with mortgage institutes:		
Land and buildings.....	30.285.018	28.600.000
The following assets have been provided as security for debt with bankers:		
Land and buildings.....		DKK 30.285.018
Inventory.....		36.719.954
Trade receivables.....		23.706.366
Production plant and machinery.....		1.356.430
Other plant, fixtures and equipment.....		1.976.489
Goodwill.....		0

## ACCOUNTING POLICIES

The Annual Report of Cosmos Trawl A/S for 2023 has been presented in accordance with the provisions of the Financial Statements Act for Danish enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

### The book value method

During the year, the Company has an increase of assets and liabilities as a result of the merger with Nordsøtrawl A/S. It is the same controlling party before and after the merger, for which reason the book value method has been applied for the business combination. The merger has occurred retrospectively for accounting purposes at 1 January 2023. Comparative figures are not adjusted.

### Consolidated Financial Statements

Consolidated Financial Statements have not been prepared because the Group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The Company is included in the consolidated Financial Statements of Hampidjan hf, Skarfagardar 4, Reykjavik, Iceland.

## INCOME STATEMENT

### Net revenue

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.

### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

### Income from investments in subsidiaries

Dividend from subsidiaries is recognised in the financial year in which the dividend is declared. In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.



## ACCOUNTING POLICIES

### Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to 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

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired Company's position in the market and earnings profile, and the industry-specific conditions.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

### Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	10-40 years	0 %
Production plant and machinery.....	3-10 years	0 %
Other plant, fixtures and equipment.....	3-10 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

## ACCOUNTING POLICIES

### Lease contracts

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.

### Financial non-current assets

Investments in subsidiaries are measured at cost. If the cost exceeds the net realisable value, this is written down to the lower value.

### Impairment of fixed assets

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

### Inventories

Inventories are measured at cost using the FIFO principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables are calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

## ACCOUNTING POLICIES

### Prepayments

Prepayments recognised as assets include costs incurred relating to the subsequent financial year.

### Equity

#### Dividend

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

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured at the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

### Deferred income

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

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.