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# ***Cosmos Trawl A/S***

Notkajen 2, DK-9850 Hirtshals

## **Annual Report for 1 January - 31 December 2021**

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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  
5 /5 2022

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 Annual Report of Cosmos Trawl A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hirtshals, 5 May 2022

## Executive Board

Michael Kenn Kjærulff Lassen  
CEO

## Board of Directors

Hjörtur Valdemar Erlendsson  
Chairman

Emil Vidar Eythorsson

Flemming Ruby

# 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, 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:

## Independent Auditor's Report

- 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.
- 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, 5 May 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Line Borregaard

statsautoriseret revisor

mne34353

## Company Information

### The Company

Cosmos Trawl A/S  
Notkajen 2  
DK-9850 Hirtshals

Telephone: + 45 98941977  
E-mail: [info@cosmostrawl.dk](mailto:info@cosmostrawl.dk)  
Website: [www.cosmostrawl.dk](http://www.cosmostrawl.dk)

CVR No: 25 78 39 80  
Financial period: 1 January - 31 December  
Municipality of reg. office: Hjørring

### Board of Directors

Hjörtur Valdemar Erlendsson, Chairman  
Emil Vidar Eythorsson  
Flemming Ruby

### Executive Board

Michael Kenn Kjærulff Lassen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Skelagervej 1A  
DK-9000 Aalborg

### Bankers

Jyske Bank  
Nørregade 13  
9850 Hirtshals

## Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>36,438,856</b>	<b>41,110,425</b>
Staff expenses	2	-25,458,992	-26,858,993
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2,561,383	-2,638,356
Other operating expenses		0	-9,088
<b>Profit/loss before financial income and expenses</b>		<b>8,418,481</b>	<b>11,603,988</b>
Financial income	4	2,455,644	2,081,552
Financial expenses	5	-536,727	-763,288
<b>Profit/loss before tax</b>		<b>10,337,398</b>	<b>12,922,252</b>
Tax on profit/loss for the year	6	-1,721,294	-2,407,237
<b>Net profit/loss for the year</b>		<b>8,616,104</b>	<b>10,515,015</b>

## Distribution of profit

	2021 DKK	2020 DKK
<b>Proposed distribution of profit</b>		
Proposed dividend for the year	4,500,000	5,110,000
Retained earnings	4,116,104	5,405,015
	<b>8,616,104</b>	<b>10,515,015</b>

## Balance Sheet 31 December

### Assets

	Note	2021 DKK	2020 DKK
Goodwill		19,791	44,791
<b>Intangible assets</b>	7	<b>19,791</b>	<b>44,791</b>
Land and buildings		27,369,436	30,981,345
Plant and machinery		1,102,413	1,077,920
Other fixtures and fittings, tools and equipment		2,148,265	2,369,275
Property, plant and equipment in progress		98,785	0
<b>Property, plant and equipment</b>	8	<b>30,718,899</b>	<b>34,428,540</b>
Investments in subsidiaries	9	21,036,308	21,036,308
<b>Fixed asset investments</b>		<b>21,036,308</b>	<b>21,036,308</b>
<b>Fixed assets</b>		<b>51,774,998</b>	<b>55,509,639</b>



# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
<b>Inventories</b>	10	<b>20,691,824</b>	<b>21,333,945</b>
Trade receivables		5,136,593	7,596,304
Receivables from group enterprises		74,435	10,221
Other receivables		880,642	3,163,689
Corporation tax		58,066	0
Corporation tax receivable from group enterprises		120,626	235,958
Prepayments		231,989	98,079
<b>Receivables</b>		<b>6,502,351</b>	<b>11,104,251</b>
<b>Cash at bank and in hand</b>		<b>10,443,392</b>	<b>5,949,161</b>
<b>Currents assets</b>		<b>37,637,567</b>	<b>38,387,357</b>
<b>Assets</b>		<b>89,412,565</b>	<b>93,896,996</b>

# Balance Sheet 31 December

## Liabilities and equity

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Share capital		16,500,000	16,500,000
Reserve for hedging transactions		-68,933	-148,174
Retained earnings		33,399,034	29,282,930
Proposed dividend for the year		<u>4,500,000</u>	<u>5,110,000</u>
<b>Equity</b>		<b><u>54,330,101</u></b>	<b><u>50,744,756</u></b>
Provision for deferred tax		<u>3,157,018</u>	<u>3,278,376</u>
<b>Provisions</b>		<b><u>3,157,018</u></b>	<b><u>3,278,376</u></b>
Mortgage loans		7,634,666	8,248,464
Lease obligations		5,739,736	6,288,541
Payables to group enterprises		600,000	1,200,000
Other payables		<u>2,054,647</u>	<u>2,189,737</u>
<b>Long-term debt</b>	11	<b><u>16,029,049</u></b>	<b><u>17,926,742</u></b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Mortgage loans	11	613,012	609,426
Lease obligations	11	649,198	669,370
Prepayments received from customers		560,605	220,148
Trade payables		2,864,632	3,679,157
Payables to group enterprises	11	4,727,197	10,223,028
Corporation tax		0	222,916
Payables to group enterprises relating to corporation tax		34,962	289,615
Other payables	11,12	6,094,735	5,686,359
Deferred income		352,056	347,103
<b>Short-term debt</b>		<b>15,896,397</b>	<b>21,947,122</b>
<b>Debt</b>		<b>31,925,446</b>	<b>39,873,864</b>
<b>Liabilities and equity</b>		<b>89,412,565</b>	<b>93,896,996</b>
Key activities	1		
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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	-148,174	29,282,930	5,110,000	50,744,756
Ordinary dividend paid	0	0	0	-5,110,000	-5,110,000
Fair value adjustment of hedging instruments, beginning of year	0	148,174	0	0	148,174
Fair value adjustment of hedging instruments, end of year	0	-88,376	0	0	-88,376
Tax on adjustment of hedging instruments for the year	0	19,443	0	0	19,443
Net profit/loss for the year	0	0	4,116,104	4,500,000	8,616,104
<b>Equity at 31 December</b>	<b>16,500,000</b>	<b>-68,933</b>	<b>33,399,034</b>	<b>4,500,000</b>	<b>54,330,101</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>2021</u> DKK	<u>2020</u> DKK
<b>2 Staff expenses</b>		
Wages and salaries	22,632,346	24,356,560
Pensions	1,992,242	1,826,483
Other social security expenses	328,252	268,232
Other staff expenses	506,152	407,718
	<u><b>25,458,992</b></u>	<u><b>26,858,993</b></u>
 <b>Average number of employees</b>	 <u><b>44</b></u>	 <u><b>46</b></u>
 <b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	25,000	25,000
Depreciation of property, plant and equipment	2,536,383	2,613,356
	<u><b>2,561,383</b></u>	<u><b>2,638,356</b></u>
 <b>4 Financial income</b>		
Other financial income	2,335,647	2,022,309
Exchange adjustments	119,997	59,243
	<u><b>2,455,644</b></u>	<u><b>2,081,552</b></u>

## Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	5,420	123,757
Other financial expenses	<u>531,307</u>	<u>639,531</u>
	<b><u>536,727</u></b>	<b><u>763,288</u></b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	1,854,270	2,406,580
Deferred tax for the year	-121,358	-40,492
Adjustment of tax concerning previous years	0	-7
Adjustment of deferred tax concerning previous years	<u>-11,618</u>	<u>0</u>
	<b><u>1,721,294</u></b>	<b><u>2,366,081</u></b>
which breaks down as follows:		
Tax on profit/loss for the year	1,721,294	2,407,237
Tax on changes in equity	<u>0</u>	<u>-41,156</u>
	<b><u>1,721,294</u></b>	<b><u>2,366,081</u></b>
<b>7 Intangible assets</b>		<u>Goodwill</u> <u>DKK</u>
Cost at 1 January		<u>250,000</u>
Cost at 31 December		<u>250,000</u>
Impairment losses and amortisation at 1 January		205,209
Amortisation for the year		<u>25,000</u>
Impairment losses and amortisation at 31 December		<u>230,209</u>
<b>Carrying amount at 31 December</b>		<b><u>19,791</u></b>

# Notes to the Financial Statements

## 8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	49,208,298	3,108,602	6,226,086	0	58,542,986
Additions for the year	0	363,560	402,618	98,785	864,963
Disposals for the year	-2,261,801	0	-486,898	0	-2,748,699
Cost at 31 December	<u>46,946,497</u>	<u>3,472,162</u>	<u>6,141,806</u>	<u>98,785</u>	<u>56,659,250</u>
Impairment losses and depreciation at 1 January	18,226,953	2,030,682	3,856,811	0	24,114,446
Depreciation for the year	1,573,686	339,067	623,628	0	2,536,381
Reversal of impairment and depreciation of sold assets	-223,578	0	-486,898	0	-710,476
Impairment losses and depreciation at 31 December	<u>19,577,061</u>	<u>2,369,749</u>	<u>3,993,541</u>	<u>0</u>	<u>25,940,351</u>
<b>Carrying amount at 31 December</b>	<b><u>27,369,436</u></b>	<b><u>1,102,413</u></b>	<b><u>2,148,265</u></b>	<b><u>98,785</u></b>	<b><u>30,718,899</u></b>
Including assets under finance leases amounting to	<u>4,511,932</u>	<u>0</u>	<u>1,916,240</u>	<u>0</u>	<u>6,428,172</u>

## Notes to the Financial Statements

	2021 DKK	2020 DKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 January	21,036,308	21,036,308
<b>Carrying amount at 31 December</b>	<b>21,036,308</b>	<b>21,036,308</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Nordsøtrawl A/S	Thyborøn	6.000.000	80%
Strandby Net A/S	Strandby	1.000.000	80%

	2021 DKK	2020 DKK
<b>10 Inventories</b>		
Raw materials and consumables	16,430,750	15,836,500
Work in progress	2,586,889	3,520,791
Finished goods and goods for resale	1,674,185	1,976,654
	<b>20,691,824</b>	<b>21,333,945</b>



# Notes to the Financial Statements

## 11 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:

	2021 DKK	2020 DKK
<b>Mortgage loans</b>		
After 5 years	5,155,407	5,778,009
Between 1 and 5 years	2,479,259	2,470,455
Long-term part	7,634,666	8,248,464
Within 1 year	613,012	609,426
	<b>8,247,678</b>	<b>8,857,890</b>
<b>Lease obligations</b>		
After 5 years	3,268,200	4,037,556
Between 1 and 5 years	2,471,536	2,250,985
Long-term part	5,739,736	6,288,541
Within 1 year	649,198	669,370
	<b>6,388,934</b>	<b>6,957,911</b>
<b>Payables to group enterprises</b>		
Between 1 and 5 years	600,000	1,200,000
Long-term part	600,000	1,200,000
Within 1 year	600,000	600,000
Other short-term debt to group enterprises	4,127,197	9,623,028
Short-term part	4,727,197	10,223,028
	<b>5,327,197</b>	<b>11,423,028</b>
<b>Other payables</b>		
Between 1 and 5 years	2,054,647	2,189,737
Long-term part	2,054,647	2,189,737
Other short-term payables	6,094,735	5,686,359
	<b>8,149,382</b>	<b>7,876,096</b>

DKK 287k was expensed for the year for unrecognized leasing agreements characterized by short agreements, small assets, etc.

# Notes to the Financial Statements

## 12 Derivative financial instruments

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

	2021 DKK	2020 DKK
Liabilities	88,376	189,330

Interest rate swap agreements have been entered into to hedge future interest payments on variable-rate loans. The agreements have a term of 12 months. In the agreements, an interest rate on EUBOR 3M is exchanged with a fixed interest rate of 2.28% on loans with a principal of EUR 571,000. The fair value of the interest rate swap on the balance sheet date is DKK -88.376.

## 13 Contingent assets, liabilities and other financial obligations

### Charges and security

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

Land and buildings with a carrying amount of	22,857,504	22,416,828
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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	22,857,504	22,416,828
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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
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### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	123,833	116,333
	<b>123,833</b>	<b>116,333</b>

# Notes to the Financial Statements

	2021	2020
	DKK	DKK

## 13 Contingent assets, liabilities and other financial obligations (continued)

### 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 all balances between Nordsøtrawl and their bank connection, Jyske Bank.

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.

# Notes to the Financial Statements

## 14 Related parties

### Basis

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#### Controlling interest

Hampidjan hf.

Parent Company

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

The company's transactions and agreements with the parent company, subsidiary and sister company has been entered into at arm's length basis.

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name

Place of registered office

Hampidjan hf.

Skarfagardar 4, 104 Reykjavik, Iceland

# Notes to the Financial Statements

## 15 Accounting Policies

The Annual Report of Cosmos Trawl A/S for 2021 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 2021 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements 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

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

### 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 retained earnings 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

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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

### 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 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 indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

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.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

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

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### 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.

### 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 and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible 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 years. 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.

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

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:

Production buildings	10-40 years
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# Notes to the Financial Statements

## 15 Accounting Policies (continued)

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 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. 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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Equity

#### *Dividend*

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

#### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

#### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

#### **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.

# Notes to the Financial Statements

## 15 Accounting Policies (continued)

### Deferred income

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